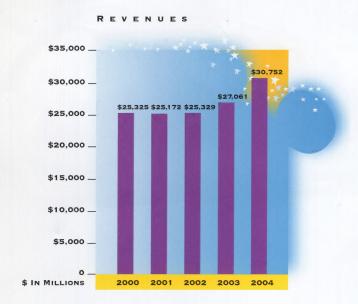
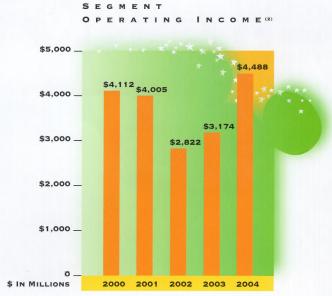


SUMMARY FINANCIAL HIGHLIGHTS

(\$ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

Fiscal year ended September 30	2000	2001	2002	2003	2004
Revenues					
Media Networks	\$ 9,836	\$ 9,569	\$ 9,733	\$10,941	\$11,778
Parks and Resorts	6,809	7,004	6,465	6,412	7,750
Studio Entertainment	5,918	6,009	6,691	7,364	8,713
Consumer Products	2,762	2,590	2,440	2,344	2,511
	\$25,325	\$25,172	\$25,329	\$27,061	\$30,752
Segment Operating Income					
Media Networks	\$ 1,985	\$ 1,758	\$ 986	\$ 1,213	\$ 2,169
Parks and Resorts	1,615	1,586	1,169	957	1,123
Studio Entertainment	126	260	273	620	662
Consumer Products	386	401	394	384	534
	\$ 4,112	\$ 4,005	\$ 2,822	\$ 3,174	\$ 4,488
Diluted earnings per share before the cumulative effect of					
accounting change	\$ 0.57	\$ 0.11	\$ 0.60	\$ 0.65	\$ 1.12
Cash provided by operations	\$ 3,755	\$ 3,048	\$ 2,286	\$ 2,901	\$ 4,370
Free cash flow ⁽¹⁾	\$ 1,742	\$ 1,253	\$ 1,200	\$ 1,852	\$ 2,943





⁽¹⁾ See reconciliation of non-GAAP financial metrics to equivalent GAAP financial metrics at end of the Financial Review.

Front Cover: MUPPETS Mark and Logo and Characters are trademarks of Muppets Holding Company, LLC. © Muppets Holding Company, LLC. TARZAN™ Owned by Edgar Rice Burroughs, Inc. and Used by permission. Copyright © 1999 Edgar Rice Burroughs, Inc. and Disney Enterprises, Inc. All Rights Reserved. Disney/Pixar characters. © 2004 Disney/Pixar. © 2004 Disney.

⁽²⁾See reconciliation of segment operating income to income before income taxes, minority interests and the cumulative effect of accounting change on page 92.

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FINANCIAL SECTION

PUBLIC ACCOUNTING FIRM

REPORT OF INDEPENDENT REGISTERED

ETTER TO SHAREHOLDERS

SELLOW OWNERS AND CAST MEMBERS:

2004 WAS CERTAINLY A MOMENTOUS YEAR FOR THE WALT DISNEY COMPANY.

BY EVERY MEASURE, THE COMPANY PROSPERED. EARNINGS PER SHARE WERE

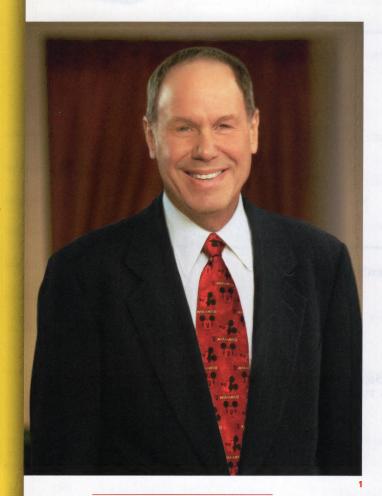
UP 72%; THE STOCK PRICE WAS UP 12%; AND OPERATING INCOME, RETURN

ON INVESTED CAPITAL AND CASH FLOW WERE ALL UP SIGNIFICANTLY, WITH CASH

FLOW HITTING RECORD LEVELS. PERFORMANCE OF THIS KIND WOULD BE GRATIFYING

UNDER ANY CIRCUMSTANCES. BUT IT WAS THAT MUCH MORE SO GIVEN THE

CIRCUMSTANCES IN WHICH IT WAS ACHIEVED.



1 Michael Eisner, chief executive officer, The Walt Disney Company.

The past several years were influenced by the horror of 9/11, a worldwide recession, two wars, a downturn in tourism, an unsolicited and below market offer by Comcast to buy your Company and an unusually intense publicity campaign against the Board and management by two dissident former directors. As we confronted this confluence of events we were resolute in keeping our focus on the operations of the Company and returning to the kind of stellar performance our shareholders expect of us. I am exceedingly proud of our management team and entire Cast, who not only kept the Company on course throughout this challenging period, but were able to deliver the phenomenal results it did as the turbulence began to subside.

I'm writing this letter on Thanksgiving day in Vermont with my family while waiting for Kermit to float by on television at the Macy's parade, waiting for the arrival of my children who are driving up to New England, and waiting for our turkey meal with the smell of chestnuts interrupting my thoughts. It does seem like yesterday, in 1984, that I wrote my first letter to you at the same kitchen table in my parents' home in Saxton's River, but it also seems like many movies ago. In some ways, the decision to retire from being the Disney CEO by September 2006 was made easier by the strong management team that is now in place and the strong rebound it has delivered (see paragraph above!), since I am determined to depart this job with Disney firing on all cylinders, poised to continue with strong performance over the years long after I have become just another ex-CEO, but still a long-term Disney shareholder.

So that's the preamble. I'd now like to review some of the reasons 2004 was so positive and discuss why we're so well positioned for continued growth in the years ahead.

2 MAGIC HAPPENS – Mickey and Minnie Mouse delight a group of children when they unexpectedly dropped in for some ice skating fun at Central Park in New York City.



From left to right: David K. Thompson, senior vice president, deputy general counsel-corporate and corporate secretary – Marsha Reed, vice president, governance administration and assistant secretary – John Renfro, senior vice president, chief human resources officer – Alan N. Braverman, senior executive vice president and general counsel – Anne Buettner, senior vice president, corporate taxes – Zenia Mucha, senior vice president, corporate communications – Peter Murphy, senior executive vice president and chief strategic officer – Bob Iger, president and chief operating officer – Tom Staggs, senior executive vice president and chief financial officer – Christine McCarthy, senior vice president and treasurer – Jack Garand, executive vice president, planning and control – Salil Mehta, executive vice president, corporate business development and strategic planning – Preston R. Padden, executive vice president, worldwide government relations – Valerie Cohen, senior vice president, alliance management, corporate alliances – Wendy Markus Webb, senior vice president, investor relations and shareholder services – Jody Dreyer, senior vice president, Disney Worldwide Outreach.





The fiscal year started off with a demonstration that while the movie business is still very volatile, the revenue stream from films is now much larger and stretches over a longer period as a result of the growth of the international and, especially, home video markets. This growth really helps successful films. That continues to be the secret. Make good films at the right price. For this reason, in the first and second quarters of fiscal 2004, we had huge success from the international and home video releases of such blockbuster 2003 films as Pirates of the Caribbean, Finding Nemo and Freaky Friday.

In addition, demonstrating the incredible value of the Disney library, we also benefited from the DVD re-release of *The Lion King*. Also during the first quarter, we began to see the resurgence of attendance at our parks, with some record-setting days at Walt Disney World during the holidays. It was shaping up to be a very good year, and, as you can see, one of the primary drivers, as always, was fantastic creative product – in our films and in our parks.

As the year continued, we saw strong growth in our other two primary business units as well – Media Networks and Consumer Products. Consumer Products showed what can be achieved by the shrewd combination of creativity and great business sense, as the Disney Princess line grew to an amazing \$2 billion at retail. As for Media Networks, the domestic Disney Channel was the number one cable network in 'tweens (kids 9-14) in primetime for the fifth year in a row, our international Disney Channels expanded to 22 with the addition of Japan, SOAPnet grew to nearly 40 million subscribers and ESPN continued to prove itself as one of the greatest assets in all of television. Not only does it serve as the TV home base for millions of men (and women too), but in 2004 we further expanded its offerings with the Spanish language ESPN Deportes, and we also opened ESPN's Digital Center to keep the network on the cutting edge of sports coverage.

Toward the end of the year, the good news at Media Networks came from the ABC Television Network, which had three of the strongest new series of the new season. Actually, they were more like sensations – the kind of "water cooler" shows that every network hopes to have – *Lost, Desperate Housewives* and *Wife Swap*. In addition, *Extreme Makeover: Home Edition* demonstrated that Reality TV can be a quality experience that doesn't just involve people eating bugs or jumping off of buildings. And so, we ended the year as we began it, propelled by the success of outstanding, original creative content embraced by millions of people.



Of course, we always like to err on the side of conservative analysis and projections, but the fact is that Lost and Desperate Housewives show every indication of being long-time hits. This is made even more significant by the fact that we produce and own these shows through our Touchstone Television production group. The financial returns on a successful network show can be substantial, especially once it goes into syndication. But the importance goes even further, since these shows become "building blocks" for other programs, providing a large audience for the promotion of future new shows. This is how networks periodically climb from last place to first, which is precisely what we aim to do with ABC.

1 Julie Andrews, the official ambassador of Disneyland's 50th anniversary celebration, is joined by Michael Eisner (left) and Art Linkletter (right) for last May's announcement of the global golden anniversary festivities.

2 In November, Disneyland's golden anniversary ambassador Julie Andrews was on hand when Tournament of Roses officials announced that Mickey Mouse would serve as the Grand Marshal of the 2005 Rose Parade.

On that forward-looking note, let me segue from 2004 to 2005 and beyond.

We expect double-digit earnings growth in the new fiscal year and, equally important, we anticipate growth across all four of our business segments. And although our 2004 results surpassed even our own aggressive expectations, we continue to target double digit average compound earnings growth off this strong 2004 base through at least 2007.

An important driver of growth should be our global celebration of Disneyland's 50th anniversary. This is a monumental occasion and it will be commemorated in an appropriately monumental way. For the first time ever, we will be

celebrating an anniversary at every one of our theme park locations. Disneyland will feature a new parade, new fireworks show and the addition of the terrific Buzz Lightyear's Astro Blasters! attraction. At the Walt Disney World Resort, we'll welcome the Lights, Motors, Action! Extreme Stunt Show at the Disney-MGM Studios; the Soarin' attraction at Epcot; the Lucky the Dinosaur Audio-Animatronics® character at Disney's Animal Kingdom; and the Cinderellabration musical spectacular at the Magic Kingdom. At Disneyland Paris, the fireworks spectacular Wishes will thrill Guests at night, and in Tokyo, Raging Spirits will take them through water, fire and then turn them upside down 360 degrees. Finally, on September 12th, we will open an entirely new theme park in an entirely new place (literally, since it's sitting on some 113 million cubic meters of reclaimed land) -Hong Kong Disneyland.

It was on July 17, 1955 that Walt Disney unveiled something called Disneyland. No one had ever seen anything quite like it, and it created an entirely new category of entertainment, called the "theme park."

3 Disney theme park Guests are dancing in the streets - literally - with their favorite princess, Cinderella.

4 With the iconic Space Mountain in the background, Tomorrowland in Hong Kong Disneyland takes shape as the new park nears completion for its September





It also transformed this Company and proved in an incredibly dramatic way how great creative content can lead to other great creative content. Suddenly, there was a place where people could meet Mickey Mouse, could fly with Peter Pan and could visit Davy Crockett's wilderness frontier. Disneyland, in turn, led to even more creative success and growth with Walt Disney World, Tokyo Disney Resort, Disneyland Resort Paris and Hong Kong Disneyland.

If you've been reading these annual letters for long, you've heard me extol the significance of Hong Kong Disneyland year after year. Well, it's now almost here. Main Street is taking shape, *Space Mountain* has risen on the horizon and *Sleeping Beauty Castle* already has golden spires. The interest level among Hong Kong and Southern China residents is phenomenal. There is little doubt that Walt's dream will once again be infectious in a land that would have seemed unimaginable for such a development back in 1955.

- 1 Enthusiastic fans around the world turn to ESPN for the finest in quality, cutting edge sports entertainment.
- 2 Michael Eisner and Postmaster General Jack Potter were at Disneyland for the June 2004 debut of a new set of U.S. postage stamps featuring Mickey Mouse and his friends.
- 3 Disney Publishing's upcoming release of Fairy Dust and the Quest for the Egg by Gail Carson Levine will mark the beginning of an entirely new character franchise and product line, Disney Fairies, featuring Tinker Bell and her friends.

But, of course, Disney is all about imagining the unimaginable (after all, we have an entire division called Imagineering!). This is not only the foundation of the creative spirit, it is also the foundation of growth at this Company. This is really just another way of saying that people turn to us for experiences that are out of the

ordinary. And we plan to keep delivering these experiences and having our shareholders benefit from the growth that results.

Out-of-the-ordinary experiences represent one of the underlying appeals of ESPN. At any given sporting event, the unexpected can generally be expected. Reinforcing the excitement of the unpredictability of sports is the excellence of ESPN's coverage. And, in the years ahead, this coverage will remain on the cutting edge, helping to fuel future growth. In 2005, ESPN and ESPN2 will be offering 6,000 hours of programming in HDTV. As more and more people purchase high definition televisions, we expect this to be an added reason for them to turn to ESPN. Similarly, more and more people are moving to cell phones that are, in effect, small TVs, and ESPN will be providing more great content for these small screens as well.

These are just two examples of how we expect technology to be a driver of growth across the Company in the years ahead. A related growth driver is the international market. Hong Kong Disneyland is indicative of the kind of opportunity that is springing up around the world for our Company. When I first joined Disney, it was unthinkable that China's economy or political environment would be ready for a Disney theme park. In just 20 years, this all changed.

Similar transformation is happening in any number of nations. While, of course, this doesn't mean we'll be opening theme parks everywhere, it does mean that consumer demand for all things Disney will be growing in more and more places. It seems "it's a small world after all." This is why new developments like wireless technology are potentially so significant, since they will be opening up new markets for us not just in the U.S. but around the globe.

Leading the way for international growth is our Disney Channel business. As I mentioned, earlier in 2004 we inaugurated our 22nd Disney Channel in Japan. On December 17, 2004, our next Disney Channel is launching in India. These businesses are strong in themselves, with all but one of the channels that were launched prior to 2003 already profitable. However, beyond their profitability, these channels add inestimable brand value for our Company by building familiarity with and affection for Disney in these new international markets.

But, the most innovative distribution platforms and the most brilliant international strategies are worth little without great content. On this subject, I'm afraid I've been something of a broken record these past 20 years. Content has always been the fundamental driver of success at this Company, whether it has been in the form of a certain good natured mouse or a princess with a snow white complexion or a theme park in an unknown place called Anaheim or a TV show hosted by a fellow named Walt or a resort carved out of swampland in Florida or a mighty lion king or an elegant cruise ship or a sports center or plane crash victims lost on an island or some really desperate housewives.

At Disney, we now have a superb team at all levels that knows how

At Disney Consumer Products, there are some wonderful projects underway. There's the incredible Baby EinsteinTM line of products for young children. We purchased Baby Einstein in 2001 for roughly \$25 million and in 2004 alone, it generated more operating income than the entire purchase price. This spectacular return on our investment is due to the quality toys and other merchandise that are produced under this brand. They are clever and innovative and dance in my mind for future grandchildren.

Consumer Products' publishing division has also come up with some stellar products...in one case, literally, with *Peter and the Starcatchers* by Dave Barry and Ridley Pearson, which is the brilliant and suspenseful telling of how Peter Pan, the Lost Boys, Tinker Bell, Captain Hook and all the rest got to Never Land. Also, the action magazine *W.I.T.C.H.* debuted in 2004 to popular and critical acclaim.

Next year, Disney Publishing will be coming out with Fairy Dust and the Quest for the Egg, by renowned author Gail Carson Levine. We expect this to be more than just an enchanting book, since our plans are to follow it with the creation of a whole new product line, called Disney Fairies. Just as the Disney Princess line has capitalized on the love affair that girls have for our animated royalty, so too will Disney Fairies build on their affinity for Tinker Bell and all of her tiny fairy friends. We believe that, like Disney Princesses, the retail potential is enormous.





Latin America, is being renamed JETIX. The JETIX brand is anchored by Power Rangers, along with a number of original animated shows from our TV Animation group. JETIX should become a major new kids brand, with the potential to benefit the entire Company, from Consumer Products to Parks and Resorts.

is this property a perfect fit for Disney, it also demonstrates how we believe in making acquisitions at the right price, not at any price. This was exemplified by our purchase of Baby Einstein and was certainly the case with the Muppets. A few years ago, the Muppets were available at a price several times what we ended up paying. At that time, we passed and waited patiently for the cost to come down. Now we have them at a cost that we feel confident will result in a good return on investment in the years to come. Our first production with Kermit and his pals is Muppets' Wonderful Wizard of Oz, coming in the spring on ABC's Wonderful World of Disney. This will be just the first of what we expect will be many new Muppet productions that should be popping up on television, in theaters and at our theme parks...maybe even one day on Broadway. First there was Mickey. Then there was Winnie the Pooh. Now there will be Kermit, the third in a series of warm, friendly and optimistic universal characters.

If you see a pattern here, you are correct. Whether it's the

or Chicken Little or Disney Fairies, we continually have the

Muppets or JETIX or Peter and the Starcatchers or Mary Poppins

One key acquisition we made in 2004 was the Muppets. Not only years to come.

years, adding to the Company's storehouse of value, and we continue to do it now, as major economic indicators are pointing up. The net result over time is growth for you, the owners of this

This is what we do at Disney. We did it during the challenging

Company. Of course, every year won't feature 72% earnings growth, but I feel confident that your Company is on the right track, and, more importantly, I feel confident that the Cast and employees of your Company will keep it on the right track for

Disney is a company for the ages that, thanks to the creative spirit, manages to remain eternally young.

Thank you for making the magic possible.

White O Em

Michael D. Eisner, Chief Executive Officer, The Walt Disney Company November 25, 2004





OVERVIEW

For many years, growth has been a key financial objective at The Walt Disney Company and it remains so today. About five years ago, however, we initiated a program designed to balance our earnings growth goals by increasing our focus on two other financial objectives, cash flow and returns on capital.

We believe that these three metrics, taken together, are closely linked to building long term value for shareholders. We believe, further, that it is critical that we focus on *all three* of these metrics *over time*, as opposed to emphasizing a particular one or only analyzing a single-period snapshot.

In our view, targeting growth in operating income alone can create demand for inappropriately high levels of capital. By contrast, focusing solely on improving capital returns could cause us to under-invest and thereby potentially forego an attractive source of future growth. Our goal is to grow earnings, but we want to do it through the efficient, targeted and profitable allocation of capital.

We also focus on cash flow because, over the long term, cash flow is the bottom line driver of valuation. Evaluating our cash flow over time allows us to assess how efficiently the Company is translating its performance into funds we can use to pursue internal and external growth opportunities, meet our debt obligations or return capital to shareholders via dividends or share repurchase.

In short, when we're able to grow operating income, improve returns on capital and deliver strong cash flow at the same time – as we did in fiscal 2004 – it gives us greater confidence that our financial results reflect fundamentally sound corporate strategies that are driving growth and increasing the value of the Company for our shareholders.

Disney enjoys competitive advantages that underpin all of our successes, both financial and creative. The first is our tremendous library of creative content and characters. In the long run, we prosper from the inventiveness of our film, television and other programming; our ability to connect with our audiences; enhancing our products using technological advances; delighting people around the world with our toys, clothing and other consumer products; and surprising our Guests with magical experiences at the parks, cruise lines and resorts.

Our second competitive advantage is our ability to do more with and extend the life and profitability of our creativity. We possess a body of enduring content, characters, stories and entertainment experiences whose long-term richness and popularity are virtually impossible for a competitor to replicate. What truly sets us apart is the way we work together to amplify our creative properties across multiple lines of business, with each consumer experience further strengthening

our brands. If we continue to deliver indispensable content – and continue to do so in the unique way that only Disney can – the developers of new technologies and the owners of distribution platforms will continue to depend on us to help launch their products or drive their penetration.

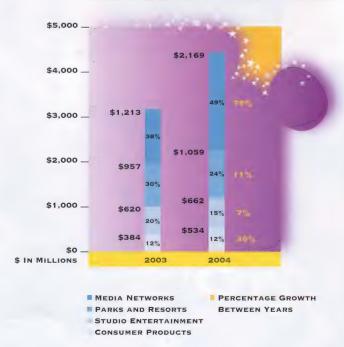
A third source of differentiation is the incredible strength of our brands – both domestically and internationally. Increasingly, we will look beyond the United States for future growth and our brand strength in those markets will serve as the platform for that growth.

2004 PERFORMANCE

EARNINGS AND OPERATING INCOME The Company reported diluted earnings per share (EPS) of \$1.12 for the fiscal year, an increase of 72% versus the prior year's EPS of \$0.65 before the cumulative effect of accounting change. A portion of earnings both this year and last came from events during the year that we do not believe are characteristic of our long-term operations. Excluding these items, our earnings growth for the fiscal year was a still-substantial 64% above last year.⁽¹⁾

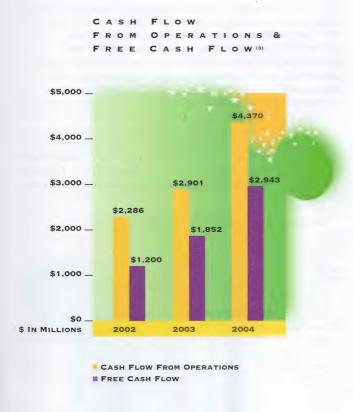
As we look ahead to fiscal 2005, barring negative turns in the environment and excluding the potential impact from unusual or extraordinary items, we expect to drive double-digit EPS growth from operations versus 2004, together with further improvement in our capital returns. We were very pleased to see balanced performance in 2004, with segment operating income growing at each of our operating segments.

SEGMENT OPERATING INCOMI EXCLUDING EURO DISNEY & HONG KONG DISNEYLAND (2)



⁽¹⁾Fiscal 2004's earnings per share was \$1.08 per share excluding approximately \$0.06 per share benefit from the settlement of certain income tax issues and approximately \$0.02 per share of restructuring and impairment charges associated with the sale of The Disney Store North America. Fiscal 2003's earnings per share before the cumulative effect of accounting change was \$0.66 excluding approximately \$0.04 per share write-off of an aircraft leveraged lease investment and approximately \$0.03 per share benefit from the settlement of certain income tax issues.

FREE CASH FLOW In 2004, we generated record levels of cash flow from operations and free cash flow. Our free cash flow this year benefited by several hundred million dollars from the timing of our net investment in film and TV product. Due in part to this timing, we anticipate that we will have a significant increase in our net investment in film and television costs in fiscal 2005. Even absent the timing benefit, our cash flow this year would have set a record for our Company. In addition, we achieved this record cash flow even after giving effect to FIN 46R, which has the effect of reducing our reported free cash flow. Looking ahead, we anticipate that we will generate more than sufficient cash flow to invest in growth, maintain a healthy balance sheet, and return cash to our shareholders.



This strong cash flow performance has given the Company a tremendous amount of financial flexibility. During fiscal 2004, we reduced net borrowings by \$2.5 billion to \$9 billion, excluding amounts for Euro Disney and Hong Kong Disneyland. Moreover, we decided to take advantage of a low interest rate environment, locking in rates on a substantial majority of these borrowings. At fiscal year end, approximately 90% of these net borrowings were at fixed rates.

RETURNS ON CAPITAL Driving capital returns is inextricably linked to shareholder value creation.

Management seeks to improve return on invested capital (ROIC) over time for our existing businesses and, although we are not yet satisfied with the absolute level of returns, we are pleased that our ROIC has risen substantially since 2002. ROIC at its low point reflected the impact of heavy capital investment – over \$11 billion in capital from fiscal 1997 through fiscal 2002 – and from a downturn in performance in our Parks and our Media Networks businesses in fiscal 2002. We have completed an era of major construction at our domestic Parks and do not expect to invest capital in fixed assets at the same rate going forward.

Our focus on improving cash flow and the evolution of our overall business mix toward a less capital-intensive portfolio also have helped to improve our capital returns. We also divested businesses that were reducing our capital returns, such as the Anaheim Angels in 2003 and The Disney Store North America in 2004.

Over the long term, we believe that our shareholders benefit the most when we identify opportunities to invest capital in initiatives that will generate strong risk-adjusted returns and drive earnings growth. Accordingly, while we will seek to improve our ROIC over time, we will continue to actively seek out investment opportunities. These opportunities could, in the short run, depress ROIC, but we will only pursue them if we feel that they will be able to deliver ultimately higher returns and long term value to shareholders.

CAPITAL SPENDING

We believe that our investments over the past years significantly enhanced the competitive advantage that many of our businesses enjoy and, as a result, we do not anticipate having to return to those levels of investment in the foreseeable future. At the domestic theme parks, for example, we continue to target an average annual capital spending level meaningfully below \$1 billion, contrasting with average annual capital spending of approximately \$1.5 billion at domestic theme parks between 1997 and 2001. Based on current economic conditions, we believe that our domestic parks will contribute meaningfully to our overall free cash flow, even after making the investments needed to keep the magic of our parks fresh and exciting for our Guests.

²FIN 46R, a new accounting rule implemented this year, requires that we fully consolidate the financial results for our Paris and Hong Kong theme parks, beginning April 1, 2004. For comparability purposes, Euro Disney and Hong Kong Disneyland are excluded in this chart. Including the impact of FIN 46R, Parks Operating Income for the year ending September 30, 2004 is \$1,123 million. See reconciliation of non-GAAP financial metrics to equivalent GAAP financial metrics at end of the Financial Review.

³See reconciliation of non-GAAP financial metrics to equivalent GAAP financial metrics at end of the Financial Review.

Due to a new accounting standard (FIN 46R), we now consolidate in our financial statements the results of the operations of our two partially owned theme park companies in Paris and Hong Kong, including 100% of the capital expenditures at these parks. Because the Hong Kong park is currently under construction with a scheduled opening date in September 2005, the spending on that park will substantially increase our reported capital expenditures in the near term. The majority of the incremental capital spending for the Hong Kong park will be funded through debt financing backed by the assets of Hong Kong Disneyland, and contributions from our partner in this development, the Government of Hong Kong, so only a portion of the funding requires a cash outlay from Disney.



Today, we enjoy a less capital intensive business mix than we had in the past, which should enable us to fund internal growth with relatively lower levels of capital expenditures. Media Networks, which is comprised of relatively lower investment/higher return on capital businesses, now generates roughly half of Disney's total segment operating income, while Parks – a more capital-intensive business – which in 1990 accounted for roughly 60% of our operating profits - today represents 25% of our profit mix. Even though the dollar amount of investment going into the domestic parks will be lower now than it was during the period when we were building entire new parks, we want all of our shareholders, Cast Members, and customers to know that we are still planning and budgeting exciting new attractions at our parks that we believe will create magical experiences for our Guests for years to come.

(4) See reconciliation of non-GAAP financial metrics to equivalent GAAP financial metrics at end of the Financial Review.

(9) Represents 100% of Euro Disney and Hong Kong Disneyland's capital expenditures beginning April 1, 2004.

SHAREHOLDER RETURNS

Reduced capital needs and improvement in our financial performance measures have resulted in increased financial flexibility for our Company.

While today we do not see any major strategic holes in our business portfolio, we continually review both internal investment and outside acquisition opportunities that could contribute to long term growth and increased returns on capital.

Along with profitable reinvestment, returning cash to investors will remain a part of our capital plan. In December 2004, the Disney Board of Directors declared a cash dividend of \$0.24 per share (or approximately \$490 million in total), making this our 49th consecutive year of dividend payments to shareholders. This dividend represents a 14% increase over the prior year.

Between August 10 and September 30, 2004, we repurchased approximately \$335 million of our common stock. We expect that share repurchase will continue to be a use of cash in the near future to return value to our shareholders.

TOTAL RETURNS TO INVESTORS

From a long-term perspective, an investment in Disney has yielded strong results. Assuming reinvestment of dividends, an investment of \$10,000 in Disney stock in 1984 was worth \$212,304 on September 30, 2004, providing a 16.5% Compound Annual Growth Rate (CAGR) over the 20-year period. A similar investment in the S&P 500 would have yielded \$111,626 during the same period, for a 12.8% CAGR. Disney also outperformed the peer index⁽⁶⁾ over this period.

C U M U L A T I V E T O T A L R E T U R N BASED UPON AN INITIAL INVESTMENT OF \$10,000 ON SEPTEMBER 30, 1984 WITH DIVIDENDS REINVESTED



⁽⁶⁾The peer index consists of the companies that were formerly included in the Standard & Poor's Entertainment and Leisure Index, and is the same as the custom composite index used in the proxy statement. These companies include, in addition to The Walt Disney Company: Time Warner Inc.; Viacom Inc.; Carnival Corporation; Harrah's Entertainment, Inc.; Hilton Hotels Corporation; Marriott International, Inc.; Starwood Hotels and Resorts Worldwide, Inc.; Brunswick Corporation; Darden Restaurants, Inc.; McDonald's Corporation; Starbucks Corporation; Yum! Brands, Inc.; and Wendy's International, Inc.

Our stock price movement is understandably more volatile than the S&P 500, a diversified index, because our Company's business focus is narrower than the market as a whole. However, over the long run, we seek to outperform the broader market in terms of total returns to our shareholders. In fact, as part of our recently announced Management Incentive Bonus Program, our most senior corporate executives' bonuses are subject to adjustment up or down by as much as 20%, depending upon how the Company's earnings per share performance for the fiscal year compares to that of the S&P 500 over the same period.

OUTLOOK

At Disney, we constantly strive to convert creativity into performance. Barring negative turns in the environment and excluding the potential impact from unusual or extraordinary items, we are confident that disciplined execution of the Company's strategic plans will yield strong financial returns. We have a tremendous legacy to draw on and are building on that legacy constantly, generating creative ideas every day, in every area of our business. With technological innovation promising greater reach to consumers and tremendous opportunity for international expansion, we will continually strive to generate long-term growth in earnings, cash flow and improved capital returns.

RECONCILIATIONS (all figures in millions)

PARKS AND RESORTS OPERATING INCOME Beginning April 1, 2004, FIN 46R requires us to include the results of Euro Disney and Hong Kong Disneyland in our financial results, and this affects the comparability of Parks and Resorts Operating Income to Parks and Resorts Operating Income of earlier periods. Parks and Resorts Operating Income excluding Euro Disney and Hong Kong Disneyland is a non-GAAP financial metric. The following table reconciles Parks and Resorts Operating Income to Parks and Resorts Operating Income to Parks and Resorts Operating Income excluding Euro Disney and Hong Kong Disneyland.

Fiscal year ended September 30	2004
Parks and Resorts Operating Income	\$1,123
Less: Operating Income of Euro Disney and Hong Kong Disneyland	(64)
Parks and Resorts Operating Income excluding Euro Disney and Hong Kong Disneyland	\$1,059

FREE CASH FLOW The Company defines "Free Cash Flow" as cash provided by operations less investments in parks, resorts and other property. Free Cash Flow is a non-GAAP financial metric. The following table reconciles cash provided by operations to free cash flow for each of the periods shown. Please see the Company's Consolidated Statements of Cash Flows on page 72 of this Annual Report.

T" 1 1 1					
Fiscal year ended September 30	2000	2001	2002 ,	2003	2004
Cash provided by operations Investments in	\$ 3,755	\$ 3,048	\$ 2,286	\$ 2,901	\$ 4,370
parks, resorts and other property	(2,013)	(1,795)	(1,086)	(1,049)	(1,427)
Free cash flow	\$ 1,742	\$ 1,253	\$ 1,200	\$ 1,852	\$ 2,943

NET BORROWINGS The Company defines "net borrowings" as total borrowings less cash and cash equivalents. The consolidation of Euro Disney and Hong Kong Disneyland pursuant to FIN 46R increases net borrowings because the borrowings of those operations are now included in our consolidated borrowings, so for comparability purposes, we also look at net borrowings excluding net borrowings of those operations. Net borrowings and net borrowings excluding net borrowings of Euro Disney and Hong Kong Disneyland are non-GAAP financial metrics. The following table reconciles total borrowings to net borrowings and net borrowings excluding the net borrowings of Euro Disney and Hong Kong Disneyland.

As of September 30	2000	2001	2002	2003	2004
Current borrowings Long-term	\$2,502	\$ 829	\$ 1,663	\$ 2,457	\$ 4,093
borrowings	6,959	8,940	12,467	10,643	9,395
Total borrowings Cash and cash	\$9,461	\$ 9,769	\$14,130	\$13,100	\$13,488
equivalents	(842)	(618)	(1,239)	(1,583)	(2,042)
Net borrowings Less: net borrowings of Euro Disney and Hong Kong Disneyland	\$8,619	\$9,151	\$12,891	\$11,517	\$11,446 (2,454)
Net borrowings excluding Euro Disney and Hong Kong Disneyland	\$8,619	\$9,151	\$12,891	\$11,517	\$ 8,992

CAPITAL EXPENDITURES The consolidation of Euro Disney and Hong Kong Disneyland pursuant to FIN 46R increases reported capital expenditures because the capital expenditures of those operations are now included in our financial results, so for comparability purposes, we also look at capital expenditures excluding capital expenditures of those operations. Capital expenditures excluding capital expenditures of Euro Disney and Hong Kong Disneyland is a non-GAAP financial metric. The following table reconciles capital expenditures to capital expenditures excluding Euro Disney and Hong Kong Disneyland.

Fiscal year ended September 30	2004
Media Networks	\$ 221
Parks and Resorts	
Domestic	719
International	289
Studio Entertainment	39
Consumer Products	14
Corporate and unallocated shared expenditures	145
	1,427
Less: Capital expenditures of Euro Disney and	
Hong Kong Disneyland	(289)
	\$1,138

This Financial Review contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 68 for cautions regarding forward-looking statements.

COMPANY OVERVIEW

THE WALT DISNEY COMPANY IS COMMITTED TO PRODUCING UNPARALLELED

ENTERTAINMENT EXPERIENCES FOR THE WHOLE FAMILY BASED ON ITS RICH LEGACY

OF QUALITY CREATIVE CONTENT AND EXCEPTIONAL STORYTELLING.

STUDIO ENTERTAINMENT

THE WALT DISNEY STUDIOS DISTRIBUTES MOTION PICTURES UNDER WALT DISNEY PICTURES - WHICH INCLUDES WALT DISNEY FEATURE ANIMATION AND DISNEYTOON STUDIOS - TOUCHSTONE PICTURES, HOLLYWOOD PICTURES, MIRAMAX FILMS AND DIMENSION FILMS. BUENA VISTA INTERNATIONAL SERVES AS THE STUDIOS' INTERNATIONAL DISTRIBUTION ARM. BUENA VISTA HOME ENTERTAINMENT AND BUENA VISTA HOME ENTERTAINMENT INTERNATIONAL TOGETHER DISTRIBUTE DISNEY AND OTHER FILM TITLES TO THE RENTAL AND SELL-THROUGH HOME ENTERTAINMENT MARKETS WORLDWIDE. BUENA VISTA THEATRICAL PRODUCTIONS IS ONE OF THE LARGEST PRODUCERS OF BROADWAY MUSICALS, AND THE BUENA VISTA MUSIC GROUP DISTRIBUTES ORIGINAL MUSIC AND MOTION PICTURE SOUNDTRACKS UNDER ITS FOUR RECORD LABELS: WALT DISNEY RECORDS, BUENA VISTA RECORDS, HOLLYWOOD RECORDS AND LYRIC STREET RECORDS.

MEDIA NETWORKS

THE MEDIA NETWORKS SEGMENT ENCOMPASSES A VAST ARRAY OF PROPERTIES ON THE TELEVISION, CABLE, RADIO AND INTERNET LANDSCAPE. THE ABC TELEVISION NETWORK INCLUDES ABC ENTERTAINMENT, ABC DAYTIME, ABC NEWS, ABC SPORTS, ABC KIDS AND THE DISNEY-OWNED PRODUCTION COMPANY TOUCHSTONE TELEVISION. ABC OWNED TELEVISION STATIONS OPERATES 10 STATIONS IN TOP MARKETS ACROSS THE COUNTRY, ABC RADIO OWNS 71 STATIONS NATIONWIDE, AND THE COMPANY'S EXPANSIVE RADIO OFFERINGS INCLUDE RADIO DISNEY, ESPN RADIO AND ABC NEWS RADIO.

MEDIA NETWORKS INCORPORATES A SUITE OF CABLE NETWORKS, INCLUDING ESPN, DISNEY CHANNEL, ABC FAMILY, TOON DISNEY, AND SOAPNET. ADDITIONALLY, THE SEGMENT OPERATES WALT DISNEY TELEVISION ANIMATION AND JETIX, AND THE COMPANY ALSO HOLDS EQUITY INTERESTS IN LIFETIME ENTERTAINMENT SERVICES, A&E TELEVISION NETWORKS AND E! NETWORKS.

ALSO INCLUDED IN THE MEDIA NETWORKS SEGMENT ARE BUENA VISTA TELEVISION, WHICH PRODUCES AND DISTRIBUTES SYNDICATED PROGRAMMING; BUENA VISTA TELEVISION INTERNATIONAL, WHICH DISTRIBUTES DISNEY'S SERIES AND MOVIES FOR TELEVISION OUTSIDE THE U.S.; HYPERION BOOKS, DISNEY'S GENERAL INTEREST PUBLISHING IMPRINT; AND WALT DISNEY INTERNET GROUP, WHICH LEADS CORPORATE INTERNET BUSINESS AND TECHNOLOGY STRATEGY AND MANAGES MANY OF THE COMPANY'S INTERNET PROPERTIES.



PARKS AND RESORTS

WALT DISNEY PARKS AND RESORTS WAS ESTABLISHED IN 1952 WHEN WALT DISNEY IMAGINEERING WAS FORMED TO BUILD THE PARK THAT STARTED IT ALL, DISNEYLAND, WHICH CELEBRATES ITS 50TH ANNIVERSARY THIS YEAR. TODAY, WALT DISNEY PARKS AND RESORTS OPERATES OR LICENSES 10 THEME PARKS ON THREE CONTINENTS WITH AN 11TH PARK CURRENTLY UNDER CONSTRUCTION IN HONG KONG.

IN ADDITION TO DISNEYLAND RESORT IN CALIFORNIA, WALT DISNEY WORLD RESORT IN FLORIDA, TOKYO DISNEY RESORT AND DISNEYLAND RESORT PARIS, THE DIVISION OPERATES DISNEY CRUISE LINE; DISNEY VACATION CLUB; DISNEY REGIONAL ENTERTAINMENT, WHICH RUNS EIGHT ESPN ZONE SPORTS DINING AND ENTERTAINMENT LOCATIONS; AND MIGHTY DUCKS/DISNEY ICE, WHICH OVERSEES DISNEY'S NATIONAL HOCKEY LEAGUE FRANCHISE, THE MIGHTY DUCKS OF ANAHEIM.

CONSUMER PRODUCTS

DISNEY CONSUMER PRODUCTS EXTENDS THE DISNEY MAGIC TO MERCHANDISE RANGING FROM APPAREL, TOYS, HOME DÉCOR AND BOOKS TO INTERACTIVE GAMES, FOODS AND BEVERAGES, ELECTRONICS AND FINE ART.

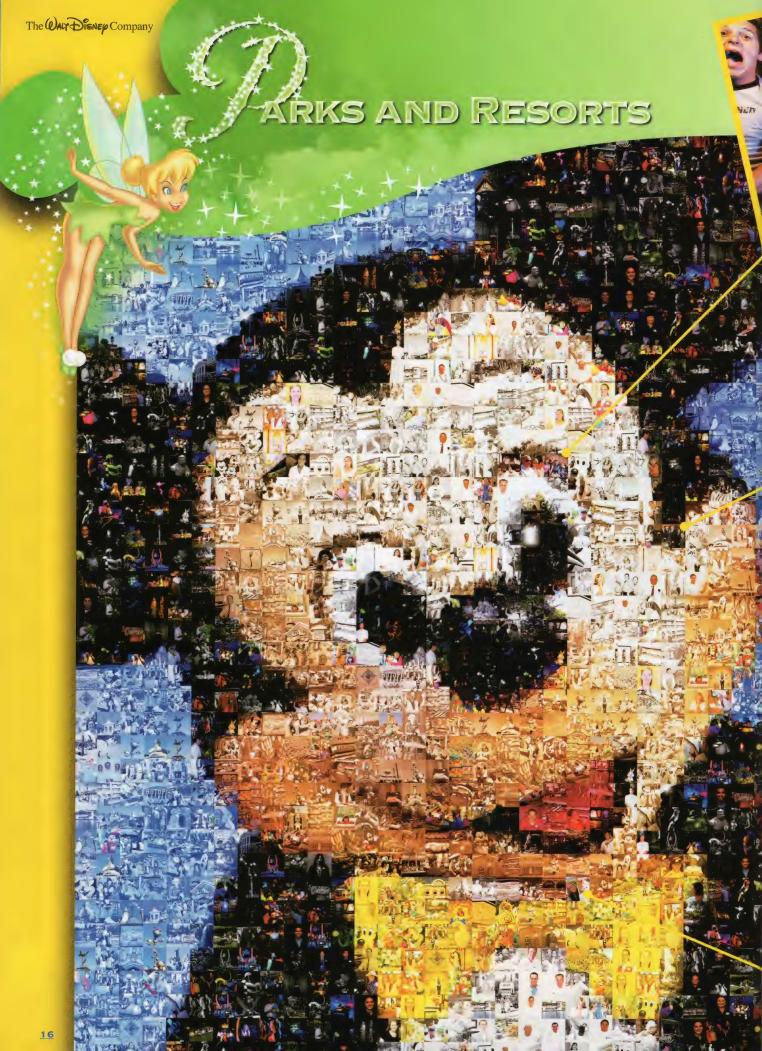
DISNEY IS THE LARGEST LICENSOR IN THE WORLD. IT
IS DIVIDED INTO DISNEY HARDLINES, DISNEY SOFTLINES
AND DISNEY TOYS. DISNEY PUBLISHING IS THE WORLD'S
NUMBER ONE CHILDREN'S PUBLISHER, WITH DOMESTIC
IMPRINTS INCLUDING HYPERION BOOKS FOR CHILDREN,
DISNEY PRESS AND DISNEY EDITIONS, AS WELL AS THE NUMBER
ONE CHILDREN'S MAGAZINE IN THE U.S., "DISNEY ADVENTURES."

OTHER BUSINESSES UNDER DISNEY CONSUMER PRODUCTS ARE
BUENA VISTA GAMES, BRINGING DISNEY CONTENT TO THE INTERACTIVE
GAMING COMMUNITY; THE BABY EINSTEIN COMPANY^{IM}, WHICH PRODUCES
DEVELOPMENTAL MEDIA, TOYS, AND OTHER PRODUCTS FOR INFANTS, TODDLERS AND YOUNG CHILDREN; AND DISNEY DIRECT MARKETING, WHICH
INCLUDES DISNEYDIRECT.COM AND THE DISNEY CATALOG.

Clockwise: *Mission: SPACE* at Epcot; the enchanting Disney Princess line of merchandise; ABC's new hit drama *Desperate Housewives*; Walt Disney Pictures' *Chicken Little* hatches in 2005.

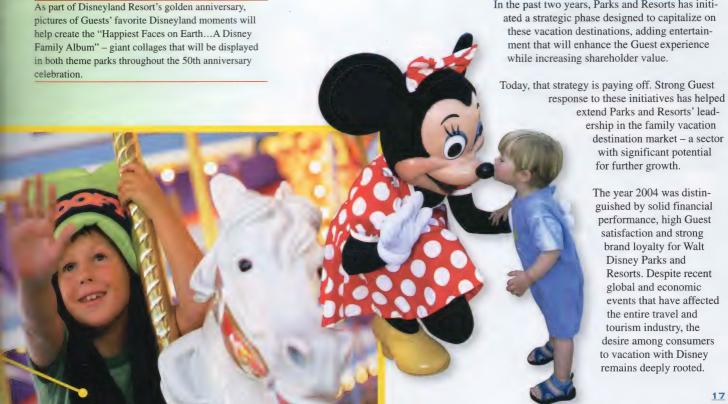
Princess

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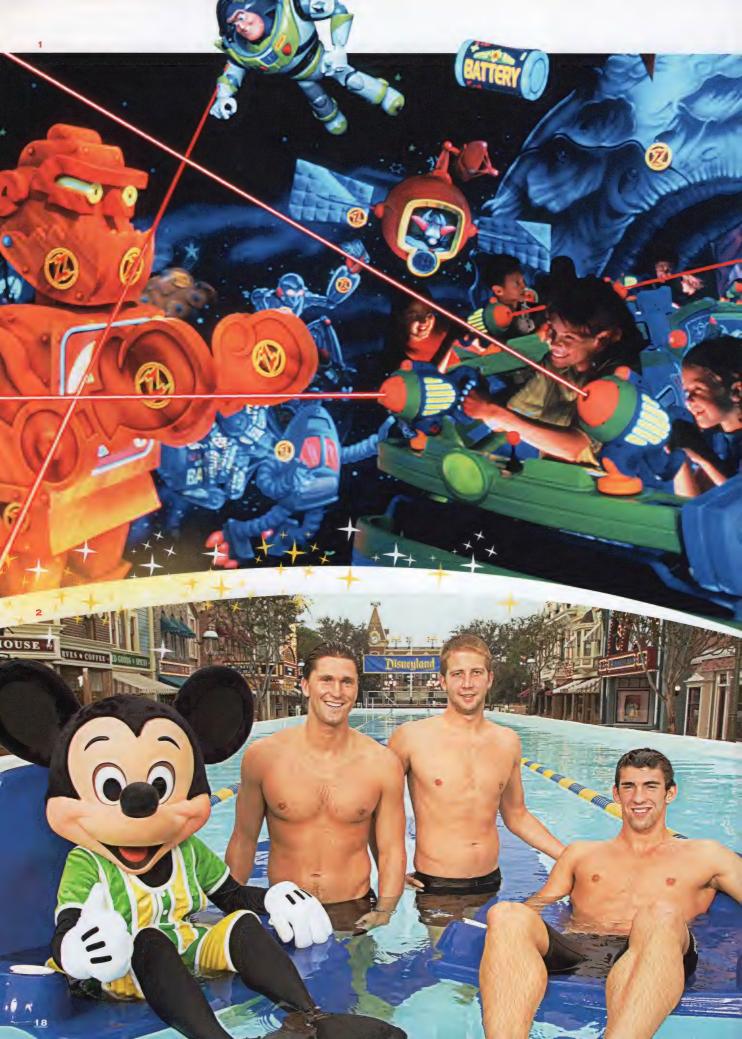
SEVERAL YEARS AGO, WALT DISNEY PARKS AND RESORTS TRANSFORMED ITS PORTFOLIO OF THEME PARKS INTO MULTI-PARK RESORT DESTINATIONS, GIVING FAMILIES THE OPPORTUNITY TO STAY LONGER AND EXPERIENCE MORE EXCITING MAGIC THAN EVER.



In the past two years, Parks and Resorts has initiated a strategic phase designed to capitalize on these vacation destinations, adding entertainment that will enhance the Guest experience while increasing shareholder value.

extend Parks and Resorts' leadership in the family vacation destination market - a sector with significant potential for further growth.

> The year 2004 was distinguished by solid financial performance, high Guest satisfaction and strong brand loyalty for Walt Disney Parks and Resorts. Despite recent global and economic events that have affected the entire travel and tourism industry, the desire among consumers to vacation with Disney remains deeply rooted.



Walt Disney Parks and Resorts' longstanding tradition of creativity, innovation and exceptional Guest service – provided by a strong and dedicated Cast – has helped strengthen its position as one of the world's premier family vacation destination businesses. In fact, five Disney destinations are currently ranked among the Top 10 most popular family attractions in any category by the new *Zagat Survey U.S. Family Travel Guide*. And Disney resorts are today the most visited tourist destinations on three continents.

And the best is yet to come. In 2005, the 50th anniversary of Disneyland in California will be marked with an unparalleled global celebration paying tribute to the timeless tradition of Walt's original park. The "Happiest Celebration on Earth" will be an 18-month event, offering families more reasons to return to their favorite Disney destinations – to relive old memories and to create new ones.

The celebration of Disneyland's magical beginnings and rich heritage will culminate in September 2005 with the opening of Hong Kong Disneyland, introducing the Disney family vacation experience to one of the world's largest markets.

THE HAPPIEST HOMECOMING ON EARTH

DISNEYLAND: THE PARK THAT STARTED IT ALL Disneyland is not only the Southern California theme park that launched an industry, but a unique and beloved icon in the American and international cultural landscape.

To celebrate the magical milestone of its 50th anniversary, Disneyland Resort will treat Guests to a dazzling spectacle – from the new look of Sleeping Beauty Castle to a "golden" sheen on classic ride vehicles – along with exciting new attractions like *Buzz Lightyear Astro Blasters!*, a thrilling re-launch of *Space Mountain*, and a special showcase highlighting Disneyland's first 50 years.

An all-new parade, *Walt Disney's Parade of Dreams*, and a nighttime spectacular, *Remember...Dreams Come True*, will be bigger and more elaborate than ever. And *Block Party Bash* at Disney's California Adventure will have Guests dancing in the streets.

WALT DISNEY WORLD: CELEBRATING 50 YEARS OF
THEME PARKS Walt Disney World Resort in Florida will celebrate
by bringing together many of the best shows and attractions from
Disney's worldwide destinations.

At Disney-MGM Studios, the secrets behind Hollywood's most astounding stunts will be revealed in *Lights, Motors, Action! Extreme Stunt Show*, direct from Walt Disney Studios Paris.

Coming to the Magic Kingdom park from Tokyo Disney Resort is the hit show, *Cinderellabration*, featuring a cavalcade of Disney princes, princesses and villains.

At Epcot, Guests will embark on an aerial adventure in *Soarin*', recreating the popular Disney's California Adventure attraction.

- 1 The Buzz Lightyear Astro Blasters! attraction a Guest favorite at Tokyo Disney Resort will open in Tomorrowland at Disneyland.
- 2 Olympic swimming gold medalists (L-R) Lenny Krayzelburg, Ian Crocker and Michael Phelps and Mickey Mouse float down an Olympic-size pool that was constructed on Main Street, U.S.A. at Disneyland for *Disney's Swim with the Stars*.

"A SOURCE OF JOY AND INSPIRATION TO ALL THE WORLD..." Since Walt Disney dedicated Disneyland on July 17, 1955, the park has remained a true American treasure – a magical kingdom where adventure, discovery, fantasy and fun for the whole family reign. (Right)





A GLOBAL CELEBRATION Internationally, Disney theme parks are also joining the celebration. Tokyo Disney Resort will add a new thrill adventure, Raging Spirits, that will turn Guests upside down. With a 360-degree loop and special effects featuring fire and water, Raging Spirits will offer Guests an experience they have never before encountered. And, at Disneyland Resort Paris, Guests will be treated to the new fireworks spectacular, Wishes.

For the first time, Disney Cruise Line will venture into new waters, giving West Coast families a chance to enjoy a Disney cruise right in their own backyard, when the Disney Magic sails through the Panama Canal to the Port of Los Angeles in honor of the 50th anniversary celebration. For 12 weeks, the Disney Magic will make stops along the Mexican Riviera, including Puerto Vallarta, Mazatlán and Cabo San Lucas.

CREATING SPECTACULAR NEW ENTERTAINMENT EXPERIENCES

Continued investment in the full spectrum of uniquely Disney family entertainment offerings - from iconic attractions to crowd-pleasing live shows and spectaculars - has helped drive attendance, Guest satisfaction and consumer spending at Disney resorts.

At Disneyland Resort, The Twilight ZoneTM Tower of Terror is the latest in a series of entertainment additions that continue to broaden the appeal of Disney's California Adventure.

At Disney's Animal Kingdom at Walt Disney World Resort, work is underway on Disney's biggest, most ambitious E-ticket attraction yet - Expedition EVEREST. When it opens, Guests will experience a dramatic high-speed train adventure and endure a close encounter with a giant yeti... all on a massive re-creation of the Himalayan mountain range.

nal reaction to new presentations of timeless classics, such as Snow White - An Enchanting Musical, demonstrates that when it comes to "Guest satisfiers," creativity and storytelling are the most important investments of all. At Disneyland Resort Paris, the new Legend of the Lion King show is earning rave reviews at Europe's top family vacation destination.

STORYTELLING, LIVE SHOWS AND R&D MAGIC The phenome-

1 As part of the 50th anniversary celebration, the popular Disney's California Adventure attraction Soarin' Over California will open at Epcot.

2 Stitch's Great Escape! opened in November in the Magic Kingdom at Walt Disney World.

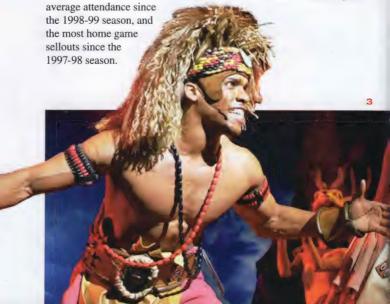
3 The Legend of the Lion King is one of the highest-rated shows at Disneyland Resort Paris. Research & Development (R&D) magic continues to fuel new and unique fireworks shows that entertain the young and the young-at-heart alike. Disneyland's spectacular Disney's Imagine - A Fantasy in the Sky features a performance of colorful fireworks that dance in the sky to heartwarming Disney melodies. And BraviSEAmo! at Tokyo DisneySea is the largest scale pyrotechnics performance ever presented at that park.

Stitch's Great Escape! is the latest innovation at the Magic Kingdom at Walt Disney World Resort. The popular character from the Disney animated feature Lilo & Stitch comes to life when the mischievous Experiment 626 arrives at a processing center for alien prisoners and manages to escape.

ENHANCING THE GUEST EXPERIENCE The Parks and Resorts entertainment strategy is focused not only on what Guests see and do but on how they feel when immersed in a Disney experience. That's why investment in "memory-makers" beyond the traditional theme park entertainment offerings continues to be a top priority. Holiday events and festivals like the International Food and Wine Festival and International Flower and Garden Festival at Epcot, plus star-studded events such as ABC Primetime Preview Weekend at Disneyland Resort, featuring stars from popular ABC shows, all contribute to the richness of the Disney vacation experience.

Enhancements at ESPN Zone, such as the addition of HDTV on the big screens and the new "Classic Elway" recliners have scored points with sports fans as Guest visitation has risen at nearly all ESPN Zone locations.

During the 2004 season, Disney's National Hockey League team, the Mighty Ducks of Anaheim, continued to win over fans, with the highest





CAPTURING GROUP TRAVEL MARKET WITH MAGICAL
GATHERINGS Magical Gatherings, which debuted in October 2003
at Walt Disney World Resort, is a program designed to tap into the trend
in large group travel. In its first year, Magical Gatherings expanded,
adding more capacity for exclusive experiences, such as viewing
spectacular fireworks shows from the lagoon in front of the Magic
Kingdom; a sunset safari at Disney's Animal Kingdom; a storytelling
dinner at Epcot; and an intimate breakfast with favorite characters at
the Magic Kingdom.

PROVIDING LONG-TERM OWNERSHIP OF DISNEY VACATIONS

Disney Vacation Club was created to serve the growing demand for long-term ownership in Disney vacations. By the end of 2004, some 84,000 members had made a 50-year commitment to Disney Vacation Club – highlighting the enduring appeal of Disney destinations. With its ability to leverage existing real estate assets and sell memberships quickly, Disney Vacation Club has become an important element of the Parks and Resorts growth strategy.

Disney Vacation Club's seventh and most recent property, Saratoga Springs Resort and Spa at Walt Disney World Resort, transports Guests to the heyday of upstate New York country retreats of the late 1800s.

ENTERING NEW GLOBAL MARKETS

People throughout the world have embraced Disney theme parks because, as Walt Disney understood, imagination has the power to transcend boundaries of language and culture. This notion serves as a centerpiece of the Parks and Resorts growth strategy, as the division continues to evaluate new geographic opportunities to expand the global market for Disney vacations.

Hong Kong Disneyland In September 2004, the top-most turret was placed upon the highest tower of Hong Kong Disneyland's Sleeping Beauty Castle in a "topping off" ceremony. When it opens, Hong Kong Disneyland – Disney's first theme park in China – will serve as an important gateway for bringing the magic of Disney to families across the Asian continent, one of the world's fastest-growing tourism markets.

New television programming, such as *The Magical World of Disneyland*, which debuted on the top-rated Hong Kong television network TVB Jade, is helping to build awareness and excitement for Disney's newest theme park. The show's host and spokesman for the new park, pop superstar Jacky Cheung, begins each show with a preview of Hong Kong Disneyland's coming attractions, echoing Walt Disney's television appearances 50 years ago.



IMAGINEERING THE FUTURE

Walt Disney Imagineering (WDI) is creating the future of family entertainment by telling magical stories through groundbreaking creativity, innovation and technology.

BREAKTHROUGH INNOVATIONS WDI holds more than 100 patents in cutting-edge entertainment effects. The latest breakthrough was in the area of fireworks launch technology, where Imagineers developed an air launch system to improve display quality while enhancing safety and reducing ground-level noise and smoke.

Imagineers also continue to push the innovation envelope, creating special effects and illusions that bring Disney magic to new and unexpected places. At Hong Kong Disneyland, Guests who visit The Crystal Lotus restaurant will be wowed by an interactive digital koi pond, where strikingly realistic fish react to Guests as they walk on virtual water.

BRINGING FAVORITE CHARACTERS TO LIFE Turtle Talk with Crush opened in 2004 at Epcot at Walt Disney World Resort, featuring Imagineering's most magical foray yet into the realm of "living characters." Guests can hold conversations with the computer-animated character of Crush, the sea turtle from the Disney/Pixar film Finding Nemo.

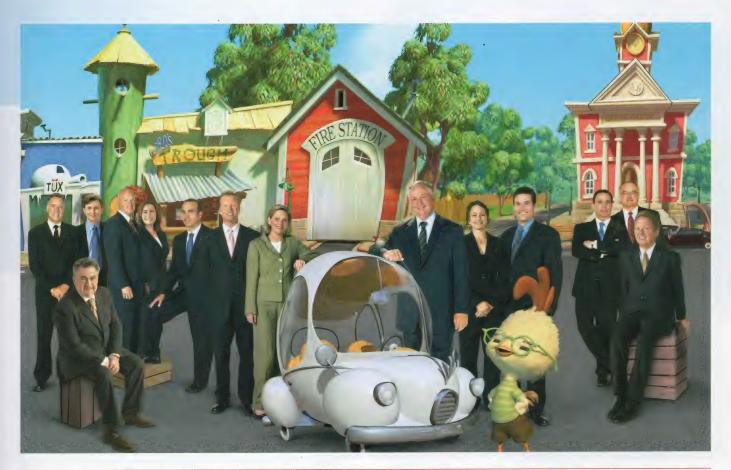
IMMERSIVE STORYTELLING THROUGH ARCHITECTURE

Imagineers continue to dream up new forms of storytelling through architecture and design. The planned Hollywood Hotel at Hong Kong Disneyland is the latest example of how Imagineers immerse Guests in new worlds. The 1930s Hollywood art deco moderne décor style captures the fun of movie-making with the allure of Hollywood's golden era, while the Hong Kong Disneyland Hotel is designed to take Guests back to the Victorian era with its brilliant white towers and red shingled rooftops.

ENHANCING THE CLASSICS Updating classic Disney attractions with new magic and the latest technology is an ongoing mission for Imagineers. A state-of-the-art, re-Imagineered *Space Mountain* is expected to open at Disneyland Resort in 2005, featuring new special effects and digital technology to thrill new generations of space travelers. Guests will also find surprises in other classic attractions, including the *Haunted Mansion*





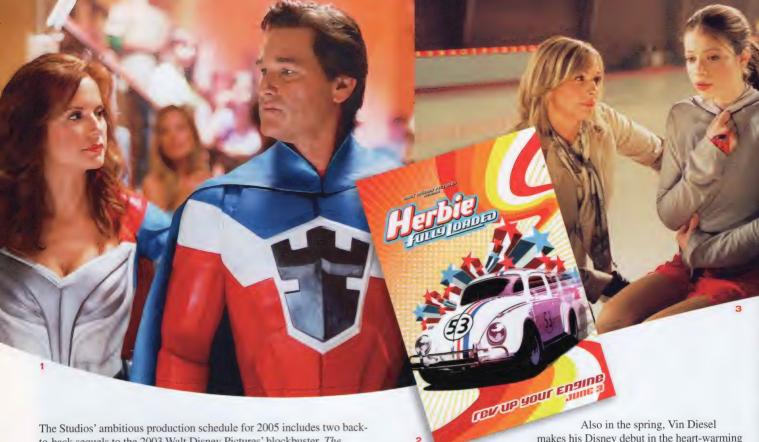


From left to right: (seated) Bob Cavallo, chairman, Buena Vista Music Group – Chris Montan, president, Walt Disney Music – Thomas Schumacher, president, Buena Vista Theatrical Productions – Bob Chapek, president, Buena Vista Home Entertainment – Sharon Morrill, president, DisneyToon Studios – Mark Zoradi, president, Buena Vista International and Buena Vista Home Entertainment International – David Stainton, president, Walt Disney Feature Animation – Bernardine Brandis, executive vice president, business and legal affairs – Dick Cook, chairman, The Walt Disney Studios – Nina Jacobson, president, Buena Vista Motion Pictures Group – Oren Aviv, president, Buena Vista Pictures Marketing – Chicken Little, star of Walt Disney Pictures' Chicken Little – Alan Bergman, executive vice president and chief financial officer – Chuck Viane, president, Buena Vista Pictures Distribution – (seated) Dennis Maguire, president, Buena Vista Home Entertainment International.

- 1 Chicken Little from Walt Disney Feature Animation.
- 2 National Treasure, starring Nicolas Cage.
- **3** The Pacifier, starring Vin Diesel.
- 4 Disney/Pixar's The Incredibles.

THE WALT DISNEY STUDIOS ENJOYED ANOTHER IMPRESSIVE YEAR,
MARKING THE NINTH TIME IN THE LAST 11 YEARS THAT THE STUDIO
HAS PASSED THE \$1 BILLION MARK AT THE DOMESTIC BOX OFFICE, AND
THE FIRST TIME IN HISTORY AN INTERNATIONAL DISTRIBUTION COMPANY
HAS PASSED THE \$1 BILLION MARK FOR 10 CONSECUTIVE YEARS.
WALT DISNEY PICTURES' "NATIONAL TREASURE" BECAME THE 46TH





The Studios' ambitious production schedule for 2005 includes two back-to-back sequels to the 2003 Walt Disney Pictures' blockbuster, *The Pirates of the Caribbean*, which will begin shooting in February. Johnny Depp is set to return as the roguish Captain Jack Sparrow in these much-anticipated films, with the first scheduled for release in 2006.

WALT DISNEY PICTURES

In the area of live-action motion pictures, Walt Disney Pictures continues its commitment to quality family entertainment, delivering several of the year's most memorable titles.

In February, Kurt Russell starred in *Miracle*, an inspiring true story of hope and determination. During the summer, Academy Award®-winner Julie Andrews once again lit up the screen alongside Anne Hathaway in *The Princess Diaries 2: Royal Engagement*. For November, acclaimed producer Jerry Bruckheimer and director Jon Turteltaub teamed up for *National Treasure*, starring Oscar®-winner Nicolas Cage as a patriotic treasure hunter who must steal riches hidden by the Founding Fathers in order to keep them from falling into the wrong hands.

The 2005 Disney live-action schedule begins in March with the release of *The Ice Princess*, about a high school ugly duckling who transforms into a swan when she pursues her goal of becoming a skating champion.

makes his Disney debut in the heart-warming family comedy, *The Pacifier*, about a former Navy SEAL who is assigned to protect five out-of-control children.

Disney's *The Hitchhiker's Guide to the Galaxy* arrives on earth this May, bringing the much-loved literary masterpiece to the big screen. In this irreverent and wacky fantasy, earthling Arthur Dent's life takes a strange turn when his planet is blown to smithereens, and he finds himself cruising the galaxy on a spaceship with a most unusual, out-of-this-world cast.

This summer, Lindsay Lohan (*Freaky Friday*) climbs into the driver's seat as the "Love Bug's" new owner in *Herbie: Fully Loaded*. Michael Keaton and Matt Dillon join the fun in this high-octane, revved-up comedy.

At the end of summer, Kurt Russell and Kelly Preston star in *Sky High*, which will offer a super-sized take on high school life in this comedy-adventure centered on super-powered teens living in the secret world of superheroes.

Producer Jerry Bruckheimer returns to the family genre, following up his successful Disney film *Remember the Titans* with *Glory Road*. In the film, Joshua Lucas (*Sweet Home Alabama*) plays a real-life college basketball coach whose all-black Texas Western team challenges the undefeated white team from Kentucky in the NCAA Men's Basketball Championship in 1966.





The Greatest Game Ever Played is the true story of legendary golfers Harry Vardon, Francis Ouimet and Ted Ray and the 1913 U.S. Open, which Ouimet won in an incredible upset.

Ending the year with a roar is one of the Studios' most exciting and ambitious live-action projects – *The Chronicles of Narnia: The Lion, the Witch and the Wardrobe.* When four siblings find their way to Narnia through a magical wardrobe, they join up with a noble and mystical ruler – the lion Aslan – to help break the Witch's icy spell. Produced in partnership with Walden Media, this adaptation of the first in C. S. Lewis' seven-book fantasy series *The Chronicles of Narnia* takes moviegoers into a magical world inhabited by beasts, dwarfs, fauns, centaurs, giants and the evil White Witch.

TOUCHSTONE PICTURES

Touchstone Pictures enjoyed success with several exceptional titles in 2004, and is gearing up for a diverse slate of new releases with major filmmakers this year. Touchstone continued its close relationship with acclaimed writer/director M. Night Shyamalan with the July release of *The Village*. Meanwhile, *Ladder 49*, starring Joaquin Phoenix and John Travolta, opened in the fall. Director Wes Anderson added fun and prestige to the 2004 schedule with *The Life Aquatic*, another great showcase for the award-winning Bill Murray.

- 1 Kurt Russell and Kelly Preston star in Disney's *Sky High*.
- **2** *Herbie: Fully Loaded* rolls into theaters on June 3.
- **3** *The Ice Princess* stars Kim Cattrall and Michelle Trachtenberg.
- **4** The Lion, the Witch and the Wardrobe premieres during the holidays.
- 5 Jennifer Connelly in Dark Water.
- 6 Heath Ledger plays Casanova.
- **7** *Glory Road* from producer Jerry Bruckheimer.
- 8 Shia LeBeouf in *The Greatest Game Ever Played*.

Coming in the summer of 2005, *Dark Water* stars Oscar-winner Jennifer Connelly as the distressed mother of a young girl who encounters strange happenings when she moves into a rundown apartment.

Later in the year, a very different mother-daughter tale unfolds in the suspense drama, *Flight Plan*, starring Academy Award-winner Jodie Foster as a mother whose worst fears are realized when her daughter vanishes into thin air while traveling in a plane at 30,000 feet.

From Nigel Cole, the director of last year's hit comedy *Calendar Girls*, comes the heartfelt romantic tale, *A Lot Like Love*, starring Ashton Kutcher and Amanda Peet.

There's romance in the air for the holiday season when Touchstone presents *Casanova*, a comedy starring Heath Ledger in the role of the legendary lover who discovers the meaning of true love when he meets a woman immune to his charms.





the comedy-filled swashbuckling adventure of Mickey, Donald and Goofy in The Three Musketeers; and the debut of its first fully computer-generated direct-to-DVD movie Mickey's Twice Upon a Christmas.

For 2005, DisneyToon Studios will bring back a number of Disney's animated stars in new feature films. In February, Pooh's Heffalump Movie will hit theaters and treat moviegoers to the Hundred Acre Wood's newest character, Lumpy, an adorable young Heffalump. In Mulan 2, the much-loved warrior is featured in an exciting new adventure with the irrepressible Mushu by her side. Families will be enthralled with a prequel to Tarzan, which will chronicle Tarzan's journey as a boy trying to find his place in the jungle. In summer, the extra-terrestrially blended family of Lilo & Stitch returns for its second film, and DisneyToon Studios will wrap up its year with what is sure to be another classic holiday favorite, Winnie the Pooh's Halloween.

MIRAMAX

In keeping with its tradition as the world's leading award-winning independent film company, Miramax Films had the most Academy Award nominations of any studio for the third consecutive year with 15, winning two of the coveted Oscars, including Best Foreign Film for The Barbarian Invasions.

In 2004, Miramax released Quentin Tarantino's Kill Bill Vol. 2, which, combined with Kill Bill Vol. 1, led to a total box office gross of more than \$300 million worldwide.

In November, Finding Neverland, starring Johnny Depp, Kate Winslet and Oscar-winner Dustin Hoffman, was released. For December, Miramax presented The Aviator, the highly anticipated film from

- 1 Winnie the Pooh, Piglet and Lumpy from Pooh's Heffalump Movie.
- 2 Mulan 2 premieres on DVD/video this February.
- 3 Bambi and the Great Prince of the Forest is in production at DisneyToon Studios.
- 4 Tarzan 2 will debut on DVD/video in 2005.
- 5 Lilo & Stitch 2 will be released on DVD/video this summer.

acclaimed director Martin Scorsese, starring Leonardo DiCaprio. Also released in December were Proof, starring Academy Award-winner Gwyneth Paltrow, and Gurinder Chadha's Bride & Prejudice, the "Bollywood" musical starring Martin Henderson and Aishwarya Rai.

Dimension's 2005 lineup includes Kevin Williamson's Cursed, directed by Wes Craven and starring Christina Ricci, Joshua Jackson and Shannon Elizabeth; Sin City, directed by Robert Rodriguez and starring Bruce Willis, Jessica Alba, Brittany Murphy, Clive Owen, Mickey Rourke and Oscar-winner Benicio Del Toro; and The Adventures of Shark Boy and Lava Girl in 3D, a family film also by Spy Kids director Robert Rodriguez.

2004 was another excellent year for Miramax Books, highlighted by eight New York Times bestsellers including Madam Secretary, by former Secretary of State Madeleine Albright; Big Russ & Me by Tim Russert; and Sammy's Hill, the hilarious and touching fiction debut from Kristin Gore. Upcoming Miramax Books publications for 2005 should bring the imprint another strong year.

BUENA VISTA THEATRICAL GROUP

Buena Vista Theatrical has presented more than 40 international productions of Beauty and the Beast, The Lion King, The Hunchback of Notre Dame and Aida, making it one of the world's largest producers of Broadway musicals.

Disney's Beauty and the Beast celebrated its 10th anniversary on Broadway this year, making it the second-longest-running show currently on Broadway and the sixth-longest-running show in Broadway history. The Lion King - now in its eighth sold-out year at Disney's beautifully restored New Amsterdam Theatre on 42nd Street - has productions in London, Sydney, Hamburg, Tokyo, Nagoya and Amsterdam, as well as two U.S. touring productions.

Disney wrapped up 2004 with two new musicals, the highly acclaimed stage adaptation of Mary Poppins in partnership with veteran producer

Cameron Mackintosh, which

opened in December in





Disney Theatrical projects currently in development include *Tarzan*, with music by Phil Collins; *The Little Mermaid*; and *Spellbound*, based on the Oscar-nominated documentary feature film.

Disney Live Family Entertainment, under license to Feld Entertainment, had its best year since its inception in 1981. Disney On Ice broke revenue and attendance records, as eight different shows performed for more than 10 million guests around the world. The newest Disney On Ice show, *Finding Nemo*, debuted in September 2004. Disney Live!, Disney Live Family Entertainment's newest licensed brand, just completed a successful launch in New Zealand and Australia of its first stage show production, *Winnie the Pooh and the Perfect Day*.

BUENA VISTA INTERNATIONAL

Buena Vista International (BVI) not only crossed the \$1 billion box office mark again in 2004, but did it in record time, becoming the first international theatrical distribution company in industry history to achieve this feat for 10 consecutive years. In attaining this unparalleled decade-long streak, BVI has amassed a whopping cumulative box office total of \$12.1 billion.



This year's record results represent the cumulative box office of 43 pictures, five of which grossed more than \$100 million at the international box office: Finding Nemo, Brother Bear, The Haunted Mansion, King Arthur and The Village.

En Los Mejores Cines

2005 looks to be another promising year with the international release of *National Treasure* and *The Incredibles*.

BUENA VISTA HOME ENTERTAINMENT

Buena Vista Home Entertainment (BVHE) achieved its best year in history with numerous titles that were both record-setting and award-winning.

Finding Nemo became the top-selling DVD of all time, and The Lion King 1½ became the top-selling direct-to-video title of the year. Coupled with the successes of Disney Video Premieres such as Winnie the Pooh: Springtime with Roo and The Three Musketeers, starring Mickey, Donald and Goofy, BVHE released seven of the Top 10 direct-to-video titles of the year.

The Studios' rich library remained strong as *The Lion King* Platinum Edition became the best selling title ever re-released, while such classics as *Alice in Wonderland* Special Edition, additional volumes of *Walt Disney Treasures* and favorites such as the *Splash* 20th Anniversary Collector's Edition, proved highly successful. In October, the Platinum Edition re-release of *Aladdin* had strong sales and introduced "a whole new world" to DVD libraries across North America.



Looking ahead, BVHE's line-up features the Platinum Edition re-release of *Bambi*, *The Incredibles* and the Disney Video Premiere of *Mulan 2*.

BUENA VISTA HOME ENTERTAINMENT INTERNATIONAL

2004 marked another stellar year for the operations of Buena Vista Home Entertainment International (BVHEI), surpassing last year's record-breaking unit sales. A strong slate of films, including *Pirates of the Caribbean, Finding Nemo* and *Brother Bear,* as well as the re-release of classic library films such as *The Lion King* Special Edition and *The Lion King II: Simba's Pride,* fueled the unit's performance this year.

In 2005, international home entertainment releases will include *The Incredibles, National Treasure, King Arthur* and *The Village*. Additionally, the unit will release two Platinum Edition DVDs, including *Aladdin* and the highly anticipated, newly restored *Bambi*. BVHEI continues to operate in more than 60 countries worldwide, with ongoing focus on the assessment and development of emerging markets, specifically Russia and China.

BUENA VISTA MUSIC GROUP

Buena Vista Music Group's (BVMG) year was led by the number one teen superstar, Hilary Duff, whose debut solo album, *Metamorphosis*, was certified triple platinum. Hollywood Records released her sophomore effort, *Hilary Duff*, in September 2004.

In 2004, Hollywood Records also released debut albums from Disney Channel star Raven-Symone and singer/actor Jesse McCartney; enjoyed big sales from rock band Breaking Benjamin and the sound-track to *A Cinderella Story*; and released critically acclaimed albums by Los Lobos, The Polyphonic Spree and Regis Philbin.

Walt Disney Records had its second consecutive year as the world's number one soundtrack label and children's music label. *The Cheetah Girls* soundtrack achieved platinum status, and *Disneymania 2*, *Disney's Greatest Volumes 1 & 2*, Hilary Duff's *Santa Claus Lane*, plus soundtracks from *That's So Raven* and *The Princess Diaries 2* were all certified gold. The label announced the creation of its new imprint, Disney Sound, with the signing of Grammy®-winning rock duo They Might Be Giants.

At Lyric Street Records, award-winning group Rascal Flatts' sophomore album *Melt* was certified double platinum, and the band released their third album last October. SHeDAISY released their third album and had two Top 10 country radio singles; Josh Gracin (former *American Idol* finalist) had the highest debut for a new country male singer in the past 12 years.

- 1 Buena Vista International surpassed the \$1 billion box office mark for the 10th consecutive year – an industry record.
- 2 The Lion King 1½ was the top-selling direct-to-video title of the year, the Aladdin Platinum Edition DVD was released in October and the Bambi Platinum Edition DVD will be available in March.
- 3 Hollywood Records artists Hilary Duff and Jesse McCartney released albums in 2004.
- **4** Raven-Symone and Julie Andrews performed a duet for the gold-certified *Princess Diaries 2* soundtrack.





- 1 Disney Princess merchandise saw phenomenal growth in 2004.
- 2 A wide array of Disney Princess products helped the line become *the* lifestyle brand for young girls.
- 3 Power Rangers remain incredibly popular with boys.
- 4 From runways to fashion magazines, Disney characters like Tinker Bell and the Big Bad Wolf have become global fashion icons.



Front row, left to right: (seated) Andy Mooney, chairman, Disney Consumer Products Worldwide – Susan Garelli, senior vice president, human resources. Second row, left to right: (seated) Gary Foster, senior vice president, corporate communications – Anne Gates, executive vice president and chief financial officer – Jim Fielding, senior vice president, global retail sales and marketing – Harry Dolman, executive vice president, Global Hardlines. Third row, left to right: Jim Calhoun, senior vice president, Global Softlines – Deborah Dugan, president, Disney Publishing Worldwide – Graham Hopper, senior vice president and general manager, Buena Vista Games – Greg Berglund, senior vice president and general manager, Disney Direct Marketing – Jessi Dunne, executive vice president, Global Toys – Russell Hampton, senior vice president and general manager, Baby Einstein.

2004 MARKED AN EXCITING YEAR FOR DISNEY CONSUMER PRODUCTS (DCP), WITH

INCREASED MOMENTUM BEHIND A BROAD RANGE OF PROPERTIES.

Growth was driven by creativity and innovation in both product development and business modeling. This year in particular, the creative departments across DCP stretched their imaginations, expanded into new product categories, produced award-winning toys, books and electronics, gave birth to new fashion trends and developed fresh new entertainment that will live well into the future.



MICKEY MOUSE It has been a long journey for Mickey Mouse from the creation of his first writing tablet in 1929 to 2004, when he made waves in the high technology world with the new Disney Dream Desk PC. This computer, especially designed for a child's sensibility and physicality, is unleashing the imaginations of kids and making learning fun.

In fiscal year 2004, worldwide revenues for Disney Toys surpassed the all-time high set in 1999. In 2005, DCP will introduce the Disney Global Toy program, creating Mickey and friends toys specifically designed for emerging market distribution at lower price points. This allows more children around the world to enjoy quality Disney toys at prices targeted for those new markets.

In the world of fashion, Mickey Mouse has been restored to his rightful place as a global fashion icon. Vintage clothing programs from Disney Softlines have, in just two years, catapulted Mickey to the catwalks of Milan to the covers of fashion magazines to the shelves of high-end boutiques. We expect Dolce & Gabbana to take Mickey to new highs with its new fashion program featuring Mickey, Minnie, Donald and Daisy on sequin-studded t-shirts.

DISNEY PRINCESS The Disney Princess brand continues its royal escapade, reaching phenomenal growth in 2004. With worldwide retail sales of more than \$2 billion, Disney Princess is *the* lifestyle brand for girls 3-6 years old. Expansion of Disney Princess into new categories and new geographies will promote future growth.

In 2004, the first Princess Personal Care line was launched and the Disney Princess electronics line gave multi-tasking a new meaning with the design of a CD player that also functions as a jewelry box. In 2005, Hardlines plans to expand the Disney Princess magic into furniture.



In 2004, Disney Princess was the most successful property for Disney Toys, with impressive global growth of 32%. In 2005, Disney Princess toys will be led by a new line of fashion dolls in the U.S. and by role-playing games in Europe. Disney Toys will also launch the new Princess-powered toy car. Additionally, with 29 editions worldwide, *Disney Princess* magazines are in the Top 10 list of global titles.

WINNIE THE POOH For the first time in 40 years, a new character—a Heffalump named Lumpy—will be introduced to the Hundred Acre Wood with the Spring 2005 animated release of *Pooh's Heffalump Movie*. The movie will be supported by one of the largest licensing programs ever behind a Winnie the Pooh feature film.

DCP introduced new lines of Classic Pooh products that are now available at Target stores in North America, Mothercare in the United Kingdom, El Corte Inglés in Spain and Karstadt/Quelle in Germany.

In 2005, the Baby Pooh infant line will expand to include vitamins and feeding products especially designed by DCP's home and infant group.

BABY EINSTEIN™ Baby Einstein, the creator of the infant developmental media category, continues to be one of the leading early-learning companies. Boasting an impressive 340% growth in retail revenues over the last three years and capturing nine out of every 10 sales of infant videos, the brand has successfully launched products in more than 20 countries. In 2004, Baby Einstein entered into five new product categories, including toys, juvenile products, stationery goods, bibs, hooded towels and infant gear, with plans to continue growth into additional categories.

In August 2005, Little EinsteinTM is scheduled to debut on Disney DVD and hit television on Disney Channel. Little Einstein will take current Baby Einstein fans and preschoolers on fun-filled field trips around the world, inviting them to "Get Out There and Explore!"

THE MUPPETS Kermit is the happiest frog on earth ever since he joined the Disney family in April 2004. The Muppets made high profile appearances at the 2004 Emmy Awards and in the *Macy's Thanksgiving Day Parade*, and will be on U.S. postage stamps in March

New plans for television shows, feature films, music, stage plays and theme park attractions starring the Muppets are in the works. Production was recently completed on the original telefilm, *Muppets' Wonderful Wizard of Oz*, starring Grammy Award®-winner Ashanti, which will air on ABC's *The Wonderful World of Disney* in the spring. With great new productions like this driving their renewed appeal, the Muppets can take advantage of the strength of Disney Consumer Products Worldwide to reach out to new fans everywhere.

MOVIE MERCHANDISING Every year, DCP builds upon the success of new and cherished classic Disney films. 2004 was no exception with an increase of 10% in retail sales of Disney movie merchandise.

In 2005, the releases of Disney's *Chicken Little*, the comeback of the "Love Bug" in *Herbie: Fully Loaded*, Disney/Pixar's *Cars* and the magical world of C.S. Lewis' *The Chronicles of Narnia: The Lion, the Witch and the Wardrobe* will offer exceptional entertainment accompanied by wonderful merchandising programs.

NEW LIFESTYLE PROPERTIES Created for girls with one foot in childhood and the other in teen trends, Disney Cuties offers a fresh design iteration on favorite Disney characters. In 2004, specialty retailers such as Hot Topic, Urban Outfitters and Disney Store began carrying the first Disney Cuties products. A complete line of apparel, accessories and stationery is planned for availability at other retailers in 2005.



Breaking design barriers in technology are Disney SNAP timepieces for tweens and adults. The DCP design team created the patented "SNAP Magnet" technology which allows the watch face to snap off its band and snap securely onto a cap, a necklace and virtually anything with a "SNAP-friendly" surface. Tested at Fred Segal in Hollywood in 2004, they quickly sold out. Moving forward, new styles will debut to grow this program.

Disney Denim, a non-character apparel line for boys and girls driven by Disney Softlines, will debut in 2005, offering kids an alternative to character clothing that still contain whimsical Disney elements.

NEW ENTERTAINMENT PROPERTIES DCP's publishing and interactive gaming groups collaborate with the Disney•ABC Television Group to take characters that once existed only in books or on the small screen and bring them into the home in the form of great Disney merchandise.

In 2004, the magical powers of *W.I.T.C.H.* debuted. The acclaimed magazine from Disney Publishing cast a spell on Europe first, and expanded into toys, stationery and apparel. *W.I.T.C.H.* will take center stage in 2005 with the global release of an animated TV series on ABC Family and Toon Disney's boys programming block, JETIX, and will be supported by new products across all lines of business.

Also in 2005, the secret, tiny world of Tinker Bell and her fairy friends will be discovered by young girls around the world with the launch of an illustrated novel from Disney Publishing, Fairy Dust and the Quest for the Egg, by renowned author Gail Carson Levine.

The novel will be followed by an extensive, multi-title book and merchandise launch that will be the foundation for a new long-term property called Disney Fairies.

Disney Publishing garnered great literary success with such stories as *Peter and the Starcatchers*, the *Peter Pan* prequel from Hyperion Books For Children, which became an instant *New York Times* bestseller, and the popular cartoonist Mo Willems' *Don't Let the Pigeon Drive the Bus*, which received the 2004 Caldecott Honor.

Buena Vista Games (BVG) and its publishing labels, Disney Interactive and Buena Vista Interactive, continued to broaden and strengthen the Company's position in the interactive entertainment industry in 2004.

BVG expanded its self-published Nintendo Game Boy Advance® business by more than 200% with games based on hit Disney Channel programs including *Lizzie McGuire*, *Kim Possible*, and *Lilo & Stitch*, collectively selling more than one million units. Sequels to those titles, as well as *That's So Raven*, are set to hit stores in 2005.

Additionally, BVG's licensed games, such as *Kingdom Hearts* from Disney and Square-Enix, shipped more than four million units worldwide, with a sequel due in 2005. Disney/Pixar's *Finding Nemo* has shipped more than five million units worldwide and new games are in development for Disney/Pixar's *The Incredibles* and *Cars*.

In the year ahead, BVG will broaden its self-publishing strategy with upcoming multiplatform video game releases of TRON 2.0 Killer App, Chicken Little, Tim Burton's The Nightmare Before Christmas and The Chronicles of Narnia: The Lion, the Witch and the Wardrobe.

DISNEY DIRECT



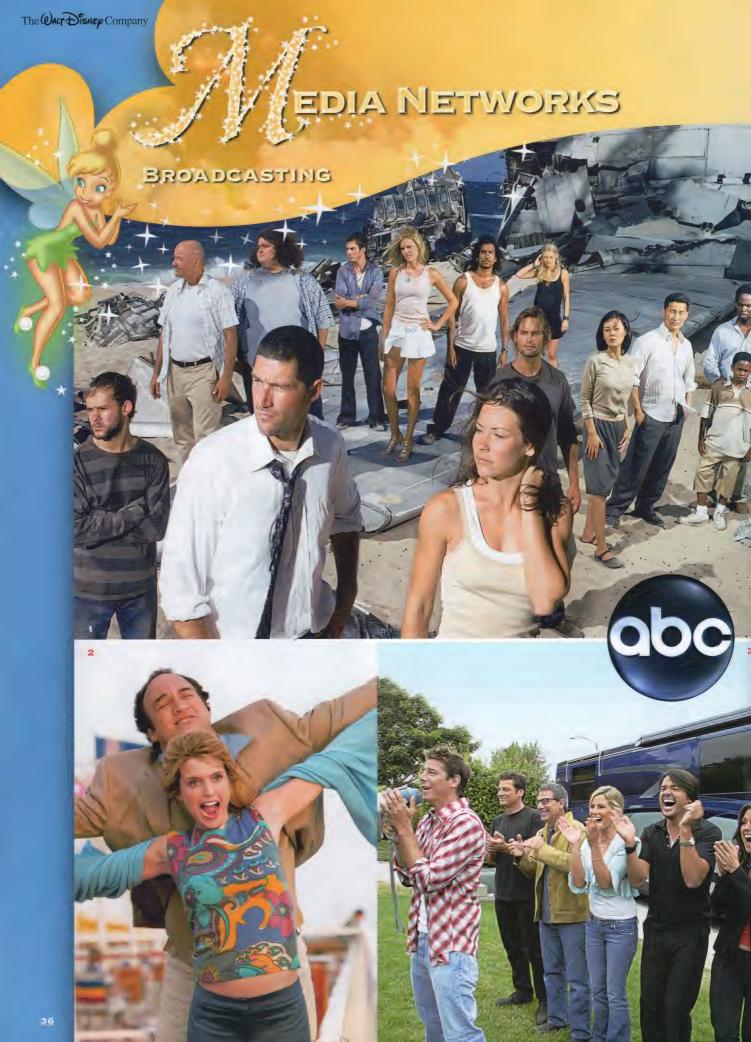
Disney Direct Marketing (DDM), through DisneyDirect.com and Disney Catalog, offers exclusive, hard-to-find products and personalized services. DDM's 2004 online sales grew by more than 27% and now represent the primary method of order placement. DDM initiated a major initiative to re-brand its Web site to DisneyDirect.com from DisneyStore.com.

DISNEY STORE Disney Store continues to bring the magic of Disney to hometowns throughout the country and in key markets around the world. The Company sold Disney Store North America to The Children's Place last October. The Company is still exploring the sale of European operations.



- 1 Muppets' Wonderful Wizard of Oz will air on The Wonderful World of Disney on ABC.
- 2 The popular new Disney Dream Desk PC.
- 3 Kingdom Hearts game from Disney Interactive.
- 4 Disney Publishing debuted Peter and the Starcatchers.
- **5** Disney's newest star, Chicken Little, enjoying an assortment of DCP merchandice.
- **6** Baby Einstein experienced impressive growth in retail revenues during 2004.







From left: Barry Blumberg, president, Walt Disney Television Animation – Paul Lee, president, ABC Family – Deborah Blackwell, senior vice president and general manager, SOAPnet – Rich Ross, president, Disney Channel Worldwide – Eleo Hensleigh, chief marketing officer and executive vice president, Marketing and Brand Strategies, Disney•ABC Television Group – Anne Sweeney, co-chairman, Media Networks and president, Disney•ABC Television Group – Stephen McPherson, president, ABC Primetime Entertainment – Brian Frons, president, ABC Daytime – David Westin, president, ABC News – Alex Wallau, president, ABC Network Operations and Administration – Mark Pedowitz, president, Touchstone Television and executive vice president, ABC Entertainment Television Group.

DISNEY MEDIA NETWORKS IS HOME TO WORLD-CLASS TELEVISION PROGRAMMING SERVICES WITH WIDE APPEAL TO DIVERSE BROADCAST, CABLE AND SATELLITE TELEVISION AUDIENCES IN THE U.S. AND ABROAD. THE UNIT INCLUDES DISNEY•ABC TELEVISION GROUP –

the Company's worldwide (non-sports) television networks and properties – and the ESPN family of sports networks.

The Disney•ABC Television Group encompasses the ABC Television Network, Touchstone Television, Disney Channel Worldwide, SOAPnet, Toon Disney, JETIX, ABC Family and Walt Disney Television Animation. It also manages the Company's equity interests in the Lifetime Entertainment Services, A&E Television Networks and E! Networks cable groups.

ABC ENTERTAINMENT For the 2004-05 season, ABC Entertainment crafted a primetime schedule that was applauded by critics and media buyers across the nation. These efforts led *The Atlanta Journal & Constitution* to write "... ABC executives unveiled the most aggressive line-up of new programming among all networks..." and *TV Guide* to state "Simply put: Of all the networks, ABC's got the best crop of new fall shows..."

- 1 ABC's *Lost* is the number two new show on television this season behind *Desperate Housewives*.
- **2** According to Jim, starring Jim Belushi and Courtney Thorne-Smith.
- **3** Extreme Makeover: Home Edition makes deserving families' dreams come true.
- **4** ABC's *Desperate Housewives* is the number one new show on television this season.





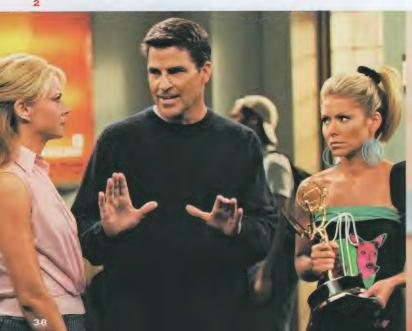
Among the new series that prompted this enthusiastic response were Desperate Housewives, Lost, Wife Swap, and Boston Legal (the spinoff from the highly successful, Emmy Award®-winning drama The Practice). Adding to the excitement were the "Best Actor" and "Best Guest Star in a Drama Series" Emmy wins by James Spader and William Shatner for the characters that they portray in Boston Legal. These programs joined successful returning series 8 Simple Rules, According to Jim, Alias, The Bachelor, Extreme Makeover: Home Edition, George Lopez, Hope & Faith, My Wife and Kids and NYPD Blue.

This early buzz was reinforced by the strong premieres for Extreme Makeover: Home Edition, Wife Swap and Boston Legal, and the extraordinary debuts of Lost and Desperate Housewives. In fact, Desperate Housewives and Lost have become the two highest-rated new series on any network this season, allowing ABC to become the first network in seven years to have two new shows reach the Top 10 among young adult viewers so early in the season.

This momentum carried through the November Sweep, where ABC was the only network to post gains in total viewers and across all key demographic categories. ABC had its most competitive Sweep performance among adults 18-49 in two years, ranking second in this key sales demographic, while finishing in first place among adults 18-34. This was the network's top ranking in this demographic during any sweep period in the last 10 years.

Touchstone Television has established itself as one of Hollywood's leading production companies, supplying critically acclaimed, quality entertainment to the television industry. The past three seasons have been the most successful in the studio's 20-year history. Touchstone has 13 primetime series slated for the 2004-05 season on three broadcast networks: ABC, NBC and UPN. The seven returning favorites and six new series include: 8 Simple Rules, According to Jim, Alias, Desperate Housewives, Grey's Anatomy, Hope & Faith, Kevin Hill, Less Than Perfect, life as we know it, Lost, My Wife and Kids, Rodney and Scrubs. Touchstone also produced the limited series Empire on ABC for mid-season, returning series Monk on USA, late night talk show Jimmy Kimmel Live on ABC, and is a distributor for The Amazing Race on CBS. Touchstone Television series My Wife and Kids and Alias begin airing in syndication in 2005, and According to Jim in 2006.

- 1 Emmy-winners James Spader and William Shatner in Boston Legal.
- 2 ABC's popular comedy series Hope & Faith.
 - Alias stars Jennifer Garner as Sydney Bristow.
- 4 ABC Daytime's General Hospital was the number one show among women 18-49 for the season.
- 5 Peter Jennings reporting from Baghdad in March after a car bomb attack on the Lebanon Hotel.







ABC DAYTIME ABC Daytime is number one in the key drama lineup ratings for women 18-49. *General Hospital* was the number one show among women 18-49 for the season, and *All My Children* and *One Life to Live* consistently placed among the Top 5 programs. In addition, *The View* experienced its best ratings since its inception.

An emotionally charged "baby switch" storyline involving *All My Children* and *One Life to Live* characters allowed fans of the two shows to get involved in an entwined drama throughout the year. Other innovative ABC Daytime programming included a partnership with Disney's SOAPnet for a fall preview hour of big secrets revealed by the stars. *All My Children*'s "Enchantment" fragrance was introduced in fictional Pine Valley and made available for purchase at Wal-Mart stores. Bob Guiney of *The Bachelor* fame hosted a "Wide World of Soaps" campaign, which netted ratings gold by reminding viewers that the soaps on ABC would not be preempted by the Olympics.

During "Fan February," viewers vied for the chance to be in a scene with their favorite characters, and more than 30 stars came out to interact with fans at the *Ninth Annual Super Soap Weekend* at Disney-MGM Studios. Viewers in Dallas got a hometown treat when *The View* broadcast from City Hall in October.

ABC SPORTS ABC Sports is home to many of broadcast television's most important sports events, earning its reputation as "Championship Television."

Monday Night Football (MNF), with the dream team of Al Michaels and John Madden in the booth, is celebrating its 35th anniversary season on ABC and has become the most successful primetime sports series in television history. MNF has been a Top 10 primetime program for the last 15 seasons, as well as network television's number one ranked show in key male demographics.

NBA broadcasts made ABC the top-rated network every night during the five-game Finals. In 2005, ABC will once again present a full slate of regular season, playoff and NBA Finals games with Al Michaels calling the play-by-play.

ABC's college football tradition spans 39 consecutive years, featuring the best teams and players from the Atlantic Coast Conference (ACC), Big East, Big Ten, Big 12, Mountain West and PAC-10 conferences and culminating in the Bowl Championship Series (BCS), an ABC success for six years. On January 4, 2005, ABC broadcasts the BCS Championship game, the FedEx Orange Bowl. Recently, ABC secured key long-term deals to extend the broadcast rights contract for the ACC and the Rose Bowl.

ABC Sports also is the home of: the British Open – the centerpiece of the network's golf coverage, which encompasses PGA Tour events such as the TOUR Championship; the Indianapolis 500 – the "Greatest Spectacle in Racing"; the U.S. Figure Skating Championships; and, for the 42nd straight year, the Little League World Series.

ABC NEWS Award-winning ABC News enjoys an average monthly audience of 215 million people. In fact, more people continue to get their news from ABC News than from any other source.

The network's flagship broadcast, *World News Tonight with Peter Jennings*, continues to perform strongly. Throughout the 2003-04 season, ABC was bolstered by exclusive interviews conducted by Diane Sawyer and Barbara Walters on *Primetime* and 20/20, giving the network two of the Top 3 news magazines among adults 18-49.

In September 2004, ABC News veterans Cynthia McFadden, John Quiñones and Chris Cuomo joined Diane Sawyer as co-anchors of *Primetime Live*. This season, the news magazine returned to its roots as a live program advancing big, breaking stories as they happen.

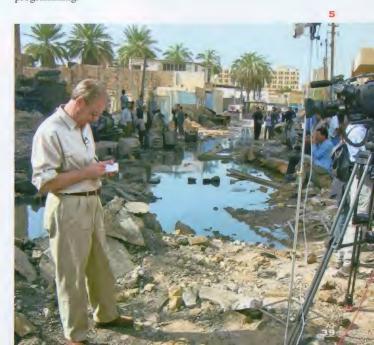
After 25 years as co-host and chief correspondent of 20/20, Barbara Walters left that role in September to begin an exciting new phase of her career at the network. The broadcast legend passed the torch to Elizabeth Vargas, who joined John Stossel at the 20/20 anchor desk. Rounding out the new team are two outstanding additions: investigative correspondent Jim Avila and Martin Bashir.

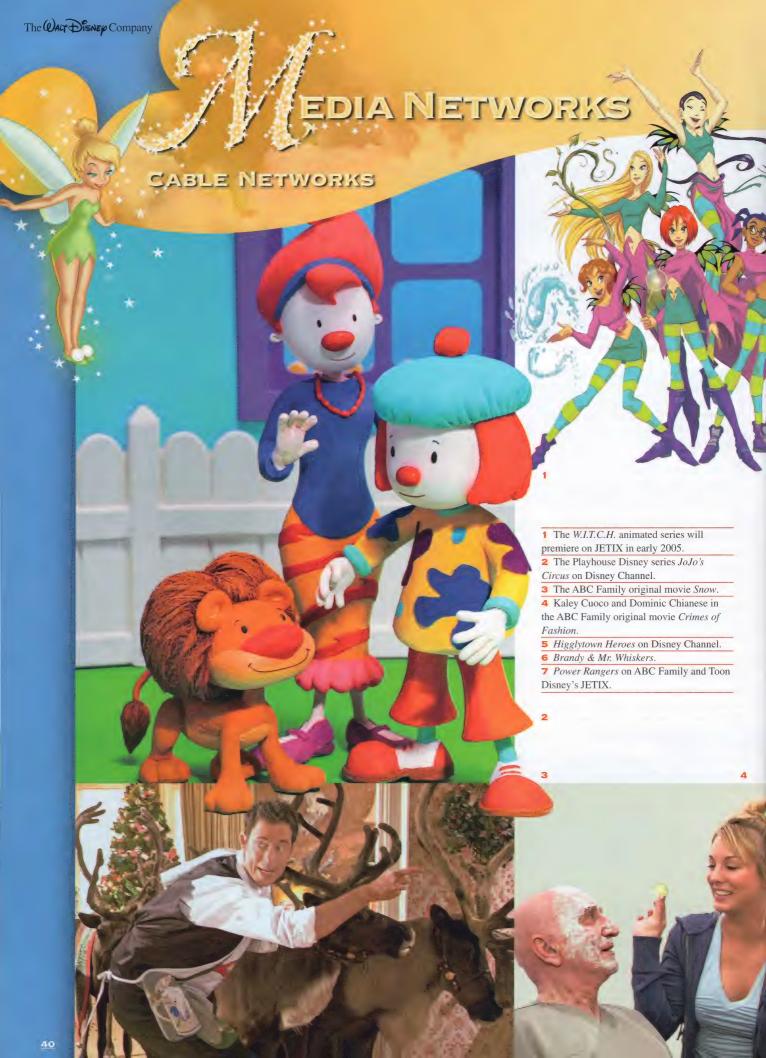
Good Morning America continued to demonstrate its competitive force in morning television with its exclusive newsmaker interviews. Among its many timely and topical "firsts" during the year were broadcast images from the arraignment of Saddam Hussein.

In September, the *Good Morning America Weekend Edition* was launched, anchored by Kate Snow and Bill Weir, with news anchor Ron Claiborne and weather and features correspondent Marysol Castro.

ABC News leads its competition with innovative ventures such as *ABC News Now*, a 24/7 cable news service available on digital broadcast and digital cable, and via broadband and wireless. With strong support from ABC affiliates and all 10 ABC-owned stations, it debuted with gavel-to-gavel coverage of the Democratic National Convention, and was anchored by Peter Jennings.

ABC Kids is a Saturday morning showcase of key series from The Walt Disney Company including Disney Channel's hit comedies That's So Raven, The Proud Family, Phil of the Future and Lizzie McGuire; Walt Disney Television Animation-produced Kim Possible and Lilo & Stitch: The Series; plus Power Rangers DinoThunder from the JETIX action/adventure programming blocks on ABC Family and Toon Disney. ABC Kids represents ABC's commitment to providing enriching and entertaining programming for young viewers while fulfilling FCC requirements for educational and informational programming.







CABLE NETWORKS GROUP

ABC Family ABC Family posted double-digit increases in primetime ratings across all key demographics. The channel's ad sales also had an impressive year, posting 29% growth. With this momentum, ABC Family acquired hits like *Smallville* and *Gilmore Girls* for 2005.

Original movies continue to garner ratings, and most recently ABC Family premiered *Snow* with Tom Cavanagh and Ashley Williams as part of the branded holiday event *25 Days of Christmas*.

ABC Family is reflective of today's families with all of their diversity, drama, humor and passion. Targeting adults 18-34, ABC Family is the perfect bridge between Disney Channel viewers and the broad audience of the ABC Television Network. ABC Family is ad supported and currently available in 88 million homes.

DISNEY CHANNEL Available in more than 85 million homes in the U.S., Disney Channel consistently ranks among the Top 5 networks in household ratings among all basic cable networks.

The network's original programming continues to fuel growth across the Company, as other businesses leverage such popular franchises as *That's So Raven, Kim Possible* and *Lizzie McGuire*, as well as new original series and movies including the live-action series *Phil of the Future* and the animated series *Brandy & Mr. Whiskers* and *American Dragon: Jake Long*, which debuts in early 2005.

In 2004, Playhouse Disney, the channel's daily learning-based programming block for preschoolers, their parents and caregivers, launched the new animated series *Higglytown Heroes* and continues to feature such popular shows as *JoJo's Circus*, *Stanley* and *Rolie Polie Olie*, all of which are being utilized by other businesses throughout The Walt Disney Company.

TOON DISNEY Targeting children 2-11, Toon Disney features an outstanding variety of animated entertainment. Now in more than 47 million homes in the U.S., Toon Disney's distribution grew nearly 20% during the year.

In February 2004, Toon Disney became the primetime home of JETIX, a high-energy programming block built on action, adventure, daring and humor. In early 2005, *W.I.T.C.H.*, a new animated action series based on Disney Publishing's comic magazines of the same name, will premiere in the U.S. during the JETIX block on Toon Disney and ABC Family.

According to 2004 Beta Research, Toon Disney ranked as the number one mid-size network in interest and viewer satisfaction among subscribers with children under the age of 12.





SOAPNET The first and only network devoted exclusively to soaps, SOAPnet is currently available in nearly 40 million homes, up 20% year-to-year, and consistently ranks in the Top 10 networks in primetime with women 18-49.

In 2004, SOAPnet added several new series and specials to its original programming line-up including the reality series *I Wanna Be a Soap Star;* the day-in-the-life series, *I Day With...*; and the biography series *Soapography*.

In addition to featuring same-day telecasts of the top-rated ABC Daytime series in primetime, SOAPnet acquired the rights to the popular NBC daytime drama *Days of Our Lives*, as well as *Melrose Place* and *Beverly Hills*, 90210.

WALT DISNEY TELEVISION ANIMATION Celebrating its 20th anniversary in November 2004, Walt Disney Television Animation, producer of animated television series for the Cable Networks Group, is busier than at any time in its history. Current programs in production include Disney Channel's popular series Kim Possible, Lilo & Stitch: The Series, Dave the Barbarian and Brandy & Mr. Whiskers; and Super Robot Monkey Team Hyperforce Go!, which is part of the JETIX programming block on Toon Disney and ABC Family. American Dragon: Jake Long is set to premiere on Disney Channel in early 2005.

LIFETIME ENTERTAINMENT SERVICES The Company holds a 50% interest in Lifetime Entertainment Services. Now in more than 88 million homes, Lifetime is the leader in women's television and one of the top-rated basic cable television networks, featuring original dramas like *Strong Medicine*, *Wild Card* and *MISSING*, and Lifetime Original Movies such as *Gracie's Choice*.



Lifetime Movie Network and Lifetime Real Women are the group's other popular cable networks. In 2004, Lifetime launched two new brand extensions, Lifetime Radio for Women and Lifetime Home Entertainment.

A&E TELEVISION NETWORKS Now reaching more than 88 million homes, A&E Network brings viewers *The Art of Entertainment** through a unique combination of three genres − *The Art of Biography, The Art of Documentary and *The Art of Drama*. In 2004, A&E Network held the record for the most Primetime Emmy nominations for a basic cable network, earning 24 nominations.

A&E, in which the Company holds a 37.5% interest, also offers the Biography Channel, which takes viewers into the world of exceptional people 24-hours a day, as well as The History Channel, which now reaches more than 87 million homes. The History Channel brings the past to life with a diverse array of topics spanning the ages from ancient times to contemporary history.

E! NETWORKS Los Angeles-based E! Networks, in which the Company holds a 39.6% interest, is the world's largest producer and distributor of entertainment news and lifestyle-related programming. The service operates E! Entertainment Television, the 24-hour network with programming dedicated to the world of entertainment; the Style network, where life gets a new look; and E! Online, Entertainment's Home PageTM, located at www.eonline.com.

E! is now available to 85 million homes in the U.S. and reaches 300 million homes in 120 countries worldwide.

The Style network features a full slate of lifestyle-genre original series and specials, and currently counts 38 million subscribers.

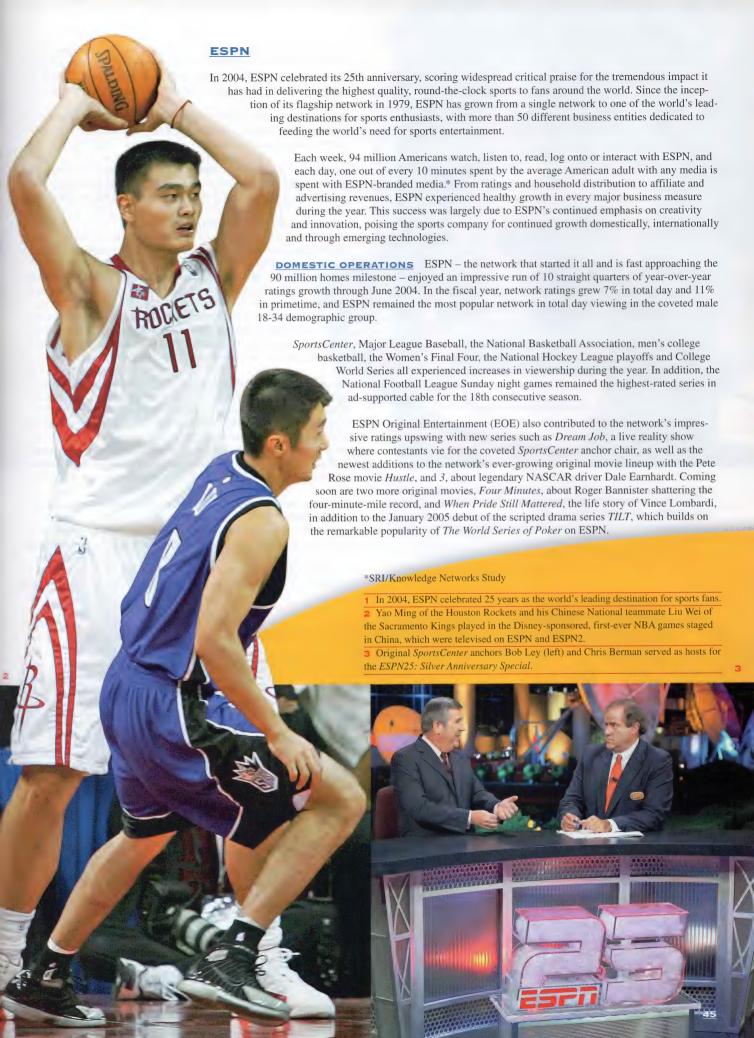
- 1 SOAPnet's hit talk show *Soap Talk* is now in its third season with hosts Lisa Rinna and Ty Treadway.
- 2 Strong Medicine on Lifetime.
- 3 The Lifetime original series MISSING.
- 4 Growing Up Gotti on A&E.
- 5 The History Channel original movie *Ike*, starring Tom Selleck.
- 6 Super Robot Monkey Team Hyperforce Go! airs on JETIX.







Left to right: Sean Bratches, president, Disney and ESPN Networks affiliate sales and marketing – Mark Shapiro, executive vice president, programming and production – Christine Driessen, executive vice president and chief financial officer – John Skipper, executive vice president, advertising sales, new media and consumer products – Ed Erhardt, president, ESPN ABC Sports customer marketing and sales – Lee Ann Daly, executive vice president, marketing – Ed Durso, executive vice president, administration – Russell Wolff, executive vice president and managing director, ESPN International – George Bodenheimer, co-chairman, Media Networks, and president, ESPN and ABC Sports.





1 The ESPN original movie 3, a biopic about legendary NASCAR driver Dale Earnhardt, stars Barry Pepper.

2 X Games X in Los Angeles featured 150 of the world's top action sports athletes.

3 Rece Davis and Linda Cohn hosted the first *SportsCenter* televised in high definition from ESPN's state-of-the-art Digital Center, which opened in June.

ESPN2, the second most widely distributed sports television network in the U.S., now reaching more than 88 million homes, increased its total day ratings 8% and primetime ratings 12% in the fiscal year. In April 2005, the network will premiere *ESPN Hollywood*, a daily series focusing on the intersection of sports and showbiz aimed at getting sports afficionados revved up for ESPN2's live game coverage. In the summer, the network also plans to add a Los Angeles-based late-night sports talk show with a live studio audience.

January 2005 sees the launch of a high-definition simulcast version of ESPN2, with more than 100 live HD telecasts already scheduled for the year. By November 2004, ESPN HD had agreements in place with nine of the Top 10 cable and satellite distributors, making the service available to more than 74 million households.

ESPN Classic – now reaching more than 55 million homes – offers a blast from the past with classic, inspiring and entertaining moments from the history of sports, including the critically acclaimed biography series *SportsCentury*, which has already featured more than 250 sports legends. For the latest in sports news, ESPNEWS is currently distributed in more than 42 million homes, plus another 11 million as a news service for regional sports networks. ESPN Deportes, the Spanish-language sports network, was launched in January 2004 and by year end had carriage agreements with seven of the Top 10 cable operators.

For the past 25 years, ESPN has been the undisputed leader in college sports coverage, so kicking off this March is ESPNU, a multi-media college sports initiative, which will include a new 24-hour television network and content components for ESPN.com, *ESPN The Magazine*, ESPN Mobile, ESPN Radio, ESPN Interactive, ESPN Broadband, as well as merchandising. ESPNU will fuel the passion for college sports with even more football, men's and women's basketball, and Olympic sports coverage, all catering specifically to the college sports fan.

Remaining true to its tradition of providing the best in sports anytime and anywhere, ESPN continued to score with successes online, on the radio and on the newsstand. In 2004, ESPN.com – which celebrates its 10th anniversary in April 2005 – continued its strong performance as the leading sports Web site. ESPN Radio expanded its lineup to 275 full-time branded stations covering 80% of the country, broadcasting programming to more than 700 stations in total, reaching all Top 50 markets



and 99 of the Top 100. *ESPN The Magazine*, with a circulation base that grew from 1.75 to 1.85 million in 2004, was named to *Adweek's* Hot List of Top 10 magazines for the fourth consecutive year. A new monthly edition debuted in China at year end.

X Games X, ESPN's annual action sports competition, featured 150 of the world's top action sports athletes in Los Angeles. The Games were televised completely live for the first time, resulting in record viewing, with an average increase of 47% over the previous year. Both the Winter X Games and The Great Outdoor Games also set viewing and attendance records, while the CITGO Bassmaster Classic culminated with the first non-American world champion, Takahiro Omori of Japan.

ESPN-owned BASS, the world's largest fishing organization, will enhance its ability to grow the sport by relocating to Walt Disney World in April. BASS will benefit greatly from the millions of annual Orlando visitors and the region's abundant natural resources.

ESPN ENTERPRISES With a continued focus on building its licensing and consumer products businesses, ESPN created ESPN GameStation with Fisher-Price®, a six-in-one indoor game center for kids ages five and up, which features major sports as well as 21 arcade-style games. An ESPN Books division was formalized with the release of ESPN25 – 25 Mind-Bending, Eye-Popping, Culture-Morphing Years of Highlights; and ESPN achieved record sales with its NFL 2K5 video game. Also launched was ESPN Russell Racing Schools with Jim Russell Racing.

In conjunction with EOE and Buena Vista Home Entertainment, a DVD series for ESPN's dramatic series *Playmakers* was released, along with other ESPN titles.

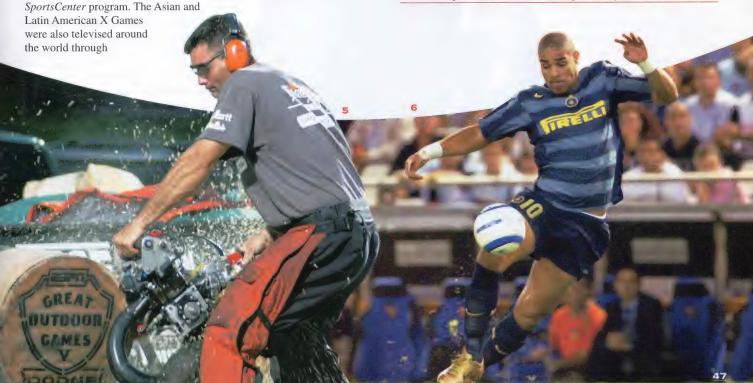
INTERNATIONAL ESPN continues to grow and expand internationally as well, reaching sports fans around the globe. In total, ESPN International owns, has interests in or programs 30 networks in 12 languages. Among the most recent additions were the September launch of ESPN Classic Sport in Germany – where it joined similar networks in France and Italy – and three customized feeds in Asia.

ESPN is also marketing localized versions of its franchises around the world. Through a joint venture with ESPN STAR Sports, *SportsCenter* was launched in Hong Kong in September, making it the nint locally produced international version of the popular

ESPN International networks, while a locally produced *Pardon the Interruption* premiered in Australia. In addition, ESPN owns six international Web sites and broadcasts localized ESPN radio programming in 13 countries. Plans are underway to launch a line of ESPN and X Games-branded consumer products in Japan in 2005.

EMERGING TECHNOLOGIES For sports fans on the beach, on the commuter train or in coffee houses, ESPN Mobile announced plans to launch the all-new ESPN phone, which offers robust content for sports fans on the go. ESPN Mobile also increased its wireless offerings across all major domestic carriers. ESPN Broadband secured distribution agreements reaching more than 500,000 homes and continues to grow its content lineup.

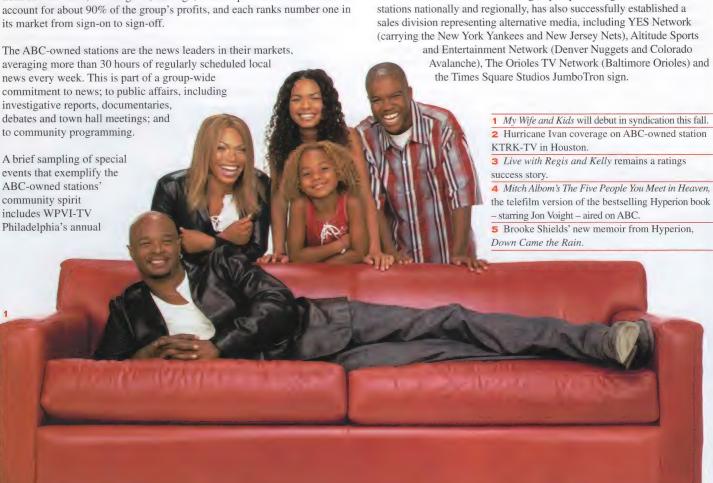
- **4** ESPNU, launching in March, will expand on ESPN's undisputed leadership in college sports coverage.
- 5 The Great Outdoor Games set viewing and attendance records this year.
- 6 ESPN Deportes featured UEFA Champions League soccer.





Left to right: Laurie Younger, president, Buena Vista Worldwide Television – John Hare, president, ABC Radio – Robert Miller, president, Hyperion – Walter Liss, president, ABC Owned Television Stations – Janice Marinelli, president, Buena Vista Television.

ABC TV OWNED STATIONS ABC owns 10 television stations, all of which achieve strong ratings in their respective markets and, together, reach 23.5% of the nation's television households. ABC's five owned stations in New York, Los Angeles, Chicago, Philadelphia and San Francisco account for about 90% of the group's profits, and each ranks number one in its market from sign-on to sign-off.



Mobile

Television.

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760,000 meals to the needy during the holiday season.

added at least two additional digital television signals.

Thanksgiving Day Parade, KGO-TV San Francisco's AIDS Walk, WTVD-TV Raleigh-Durham's annual campaign with local fire departments bringing free smoke detectors to needy families, KABC-TV Los Angeles' holiday toy drive which distributes over 500,000 toys to underprivileged children, and WLS-TV Chicago's help in providing

Many of the most popular syndicated shows are under contract at most ABC-owned stations, with *Oprah* recently having been extended to 2011 and both *Jeopardy* and *Wheel of Fortune* locked up until 2010. The highly successful *Live with Regis and Kelly* is produced by

WABC-TV in New York and syndicated by Disney's Buena Vista

ABC-owned stations continue to improve program quality and cost efficiency by staying at the forefront of technological progress, with all 10 stations expected to have completed the transition from tape to fully

digital news production by the end of 2005. All 10 stations have also

ABC's National Television Sales group, representing the 10 owned



HYPERION Mitch Albom's *The*Five People You Meet in Heaven has gone from bestseller status to phenomenon, with five million copies now in print. The book was introduced to an even larger audience in December when ABC aired the movie version, produced by Hallmark and starring Jon Voight, Ellen Burstyn, Jeff Daniels and Michael Imperioli.

Hyperion has exciting new fiction from Candace Bushnell (*The Lipstick Jungle*), Cecilia Ahern (*Rosie Dunne*), Cassandra King (*The Same Sweet Girls*) and newcomer Matt Bondurant (*The Third Translation*), and will publish Brooke Shields's powerful memoir of her experience with post-partum depression, *Down Came the Rain*.

BUTV Buena Vista Television (BVT) continues to be a top provider of syndicated programming, building a powerful cache of new offnetwork hits and first-run programming.

The Tony Danza Show, BVT's newest live entertainment talk show, debuted in Fall 2004 in more than 90% of the country. Danza's launch was the strongest talk show premiere this season.

With Meredith Vieira at the helm, *Who Wants To Be A Millionaire* wrapped its second season in syndication, posting double-digit increases in the key daytime demos as well as household ratings.

Morning talk show *Live with Regis and Kelly* turned in its 16th season with extraordinary ratings success. In the May 2004 sweeps, *Live* ranked first in its time period in more than two-thirds of its markets.

The highly regarded movie review show *Ebert & Roeper* continues to inform and entertain fans of the big screen. The weekly program features the expertise of movie reviewers Richard Roeper and Roger Ebert, who is a 30-year veteran of the show.

My Wife and Kids is set to premiere in syndication in Fall 2005, while According to Jim already has more than 90% national clearance for its Fall 2006 syndication premiere. Meanwhile, the popular drama Alias will premiere in syndication on TNT in Fall 2005.

RADIO ABC Radio reaches 132 million people on a weekly basis with 71 owned local radio stations and far-reaching national radio networks serving nearly 4,800 affiliates. In addition, the Radio Disney franchise continues to expand and now covers more than 97% of the U.S. through broadcast, satellite and cable distribution.

ABC Radio's 27 "general-market" stations earn the highest per-station average annual revenue of any comparable radio group.

A diverse portfolio of top brands and personalities is available under the ABC Radio Networks umbrella, including ABC Radio News; Paul Harvey, Sean Hannity and Tom Joyner; and Doug Banks and the ABC Urban Advantage Network, which cover 94% of the African-American community.

In 2004, Radio Disney launched in 25 million cable and satellite television homes via an alliance with digital music provider, Music Choice. Internationally, Radio Disney is available in Japan, the United Kingdom, Uruguay, Paraguay, Guatemala and the Dominican Republic, with plans for further expansion.

ABC Radio also has partnered with ESPN to distribute the Spanish-language ESPN Deportes Radio, now available in 22 of the Top 25 Hispanic markets. This builds upon the distribution partnership that already brings the ESPN Radio Network to more than 700 stations.





- 1 Disney.com is the number one kids entertainment and family community destination on the World Wide Web.
- 2 Disney's Toontown Online was the 2004 Game Industry News "Family Game of the Year."
- 3 Mobile content distributed by The Walt Disney Company includes video from ABC News.



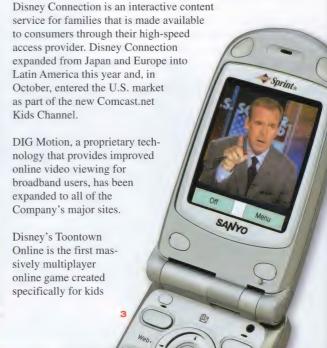


INTERNET With nearly 70% of American households connected to the Internet* and 800 million** households online worldwide, the Internet has become a critical connection between Disney and its fans. In an average month, 32 million unique visitors come to Disney Web sites for interactive entertainment, convenient shopping, and in-depth, customizable information about the Company's theme parks and other products and services.

The Walt Disney Internet Group (WDIG), the Company's centralized Internet operation, provides strategic and technology leadership for all of Disney's Internet efforts and directly manages a portfolio of Internet businesses. The Company operates some of the world's leading Internet properties, including Disney.com, ESPN.com and ABCNews.com. Growth of this core business remains strong. In fiscal year 2004, Disney's Internet ventures achieved their second consecutive year of profitability, with considerable growth across all revenue categories.

The Walt Disney Company has also become a market leader in entertainment and informational content for broadband and wireless platforms. Developing products and services for these platforms represents the future of Disney's Internet business, and fiscal year 2004 was critical for investing in these new products and services.

BROADBAND ABC News on Demand provides top ABC News programs for on-demand viewing and is one of the leading premium broadband content products in the U.S. This year, the product was launched on Comcast.net, the nation's largest high-speed Internet access service. ABC News Now, part of ABC News on Demand, expanded its line-up of live Internet programming, which this year included gavel-to-gavel coverage of the political conventions.





Left to right: Mark Handler, executive vice president and managing director, International – (seated) Bruce Gordon, senior vice president and chief financial officer – Douglas Parrish, senior vice president and chief technology officer – (seated) Paul Yanover, senior vice president and general manager, Walt Disney Parks and Resorts Online – Larry Shapiro, executive vice president, business development and operations – (seated) Bernard Gershon, senior vice president and general manager, ABC News Digital Media Group – George Grobar, senior vice president – Ken Goldstein, executive vice president and managing director, Disney Online – Steve Wadsworth, president.

and families. After meeting wide critical acclaim in the U.S. in 2003, Toontown introduced three new major content additions this year and was rolled out in Japan and the United Kingdom. Additional markets are currently planned.

Also this year WDIG announced development of a premium interactive learning service for preschoolers, which is slated for launch in 2005.

MOBILE WDIG's mobile business distributes the Company's branded content for mobile phone users. Its products include ring tones, images, games and news headlines. This business experienced significant growth and change in 2004. The Company has built a content distribution network in 25 countries with 45 carriers and distributors for its suite of more than 6,000 individual products across nearly 20 product

In 2004, WDIG developed a publishing label that takes advantage of its established business infrastructure to publish third-party mobile content. Called Starwave Mobile, this business has licensing deals in place with such well-known properties as *Trivial Pursuit*®.

The division is currently exploring additional opportunities to expand its mobile business.

Sources

- * Jupiter Research Internet Population Model. (Jan. 04)
- ** internetworldstats.com (Sept. 04)

Disney's broadband content service *Disney Connection* expanded globally in 2004.



WALT DISNEY NTERNATIONAL

Mickey and Minnie Mouse stroll along The Great Wall during a recent visit to China.

Walt Disney International is at the center of Disney's business development and growth activities in new and established markets around the world. The group's responsibilities range from providing administrative support and coordination for Disney's 45 global offices to spearheading the Company's planning for international growth and expansion.





SUPPORTING A GLOBAL BRAND One of Walt Disney International's key responsibilities is to focus on the Company's brands and the businesses as a global whole, promoting coordination and encouraging synergy among individual businesses. Working closely with the Company's brand management group, Walt Disney International seeks to ensure brand consistency across businesses and borders. It also manages coordinated marketing support for key Company-wide priorities. During fiscal 2004, marketing activities coordinated by the international group included the launch of official Disney stamps in France and a televised open-air concert in the United Kingdom. Looking forward, the international group and Disney Publishing are set to build upon the uniqueness of Disney's creative content through the creation of English-language learning camps in partnership with Walt Disney World and Disneyland Resorts as part of a broader English-language initiative. This new initiative, concentrated primarily in Asia, will enable children from China, Japan, Korea and Taiwan to learn English in a fun and engaging environment.

EXPANDING THE BUSINESS The Company has identified China, India and Russia as key growth markets for many of its products and services. Over the coming year, Walt Disney International will implement its strategy for expansion in these three regions. Newly appointed managing directors for China and India will be building local offices and working with Walt Disney Television and other Disney businesses to expand Disney's brand presence. The Company plans to increase its television presence in both China and India through Disney Channel and branded program blocks. Walt Disney International will also focus on opportunities created by expanding new technologies, particularly in Asia's booming mobile and broadband sectors. And in support of the launch of Hong Kong Disneyland, the international group will play a central role in coordinating and implementing marketing plans that bring together the strengths of all of the Company's businesses.

Back row at left: Philippe Laco, managing director, Southern Europe and Africa – Koji Hoshino, executive vice president and managing director, Japan – Cindy Rose, managing director, United Kingdom, Ireland and Middle East – Claus Gydessen, managing director, Northern, Central and Eastern Europe. Front left: Diego Lerner, president and managing director, Latin America – Brian Spaulding, senior vice president and chief financial officer. Front right: Andy Bird, president – Doug Miller, executive vice president, Walt Disney Television International and managing director, Walt Disney International, Asia – Jeffrey Paule, senior vice president and general counsel.





Environmental policies and programs at The Walt Disney Company reach beyond specific governmental requirements. Collectively referred to as Disney's Environmentality, this philosophy helps to ensure that the Company continues to sustain proactive leadership in the management of energy and water resources, air quality, waste minimization, the development of educational programs and results-oriented actions and strategic plans for the future.

Environmentality programs have touched the lives of more than one million children around the world. For instance, ESPN and WOW - Wonderful Outdoor World, sponsored by The Walt Disney Company, recently provided dozens of children from the Salt Lake City area with a trip to Madison, Wisconsin, where they participated in a variety of environmental activities at the 2004 ESPN Great Outdoor Games. The enthusiastic youngsters served as "Environmentality Ambassadors" to people of all ages attending the Games.

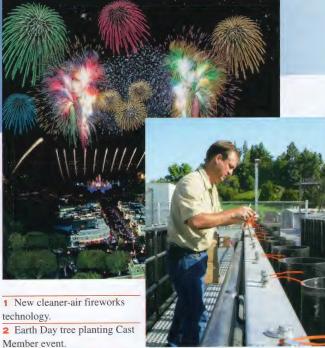
Walt Disney Imagineering's R&D teams perfected a new innovation in fireworks launch technology that uses compressed air to launch fireworks, virtually eliminating the

Member event.

3 Disney president Bob Iger joins the winning class at Jiminy Cricket's Environmentality Challenge.

need for smoke-producing chemicals. This significantly reduces ground-level smoke while providing a more precise and entertaining show. The system debuted at Disneyland Resort and plans are in place to employ this technology at Disney parks around the globe.

The Company's ongoing environmental programs continue to be recognized by industry leaders and government officials. In 2004, the United States Environmental Protection Agency presented its prestigious WasteWise Program Champion Award to Disney for its "sustained commitment to waste reduction." By practicing Environmentality, many of the steps Disney takes toward the pre-





MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

				% cha	nge
				2004	2003
RESULTS OF OPERATIONS				vs.	VS.
(in millions, except per share data)	2004	2003	2002	2003	2002
Revenues	\$ 30,752	\$ 27,061	\$ 25,329	14%	7%
Costs and expenses	(26,704)	(24,348)	(22,945)	10%	6%
Gain on sale of business		16	34	nm	(53)%
Net interest expense	(617)	(793)	(453)	(22)%	75%
Equity in the income of investees	372	334	225	11%	48%
Restructuring and impairment charges	(64)	(16)	-	nm	nm
Income before income taxes, minority interests and the cumulative					
effect of accounting change	3,739	2,254	2,190	66%	3%
Income taxes	(1,197)	(789)	(853)	52%	(8)%
Minority interests	(197)	(127)	(101)	55%	26%
Income before the cumulative effect of accounting change	2,345	1,338	1,236	75%	8%
Cumulative effect of accounting change		(71)		nm	nm
Net income	\$ 2,345	\$ 1,267	\$ 1,236	85%	3%
Earnings per share before the cumulative effect of accounting change	h 110	Φ. 0.65	Φ 0.60	720	8%
Diluted ⁽¹⁾	\$ 1.12	\$ 0.65	\$ 0.60	72%	8%
Basic	\$ 1.14	\$ 0.65	\$ 0.61	75%	7%
Cumulative effect of accounting change per share	\$ —	\$ (0.03)	\$ —	nm	nm
Earnings per share:					
Diluted ⁽¹⁾	\$ 1.12	\$ 0.62	\$ 0.60	81%	3%
Basic	\$ 1.14	\$ 0.62	\$ 0.61	84%	2%
Average number of common and common equivalent shares outstanding:					
Diluted	2,106	2,067	2,044		
Basic	2,049	2,043	2,040		

⁽¹⁾ The calculation of diluted earnings per share assumes the conversion of the Company's convertible senior notes issued in April 2003 into 45 million shares of common stock, and adds back related after-tax interest expense of \$21 million and \$10 million for fiscal years 2004 and 2003, respectively.

ORGANIZATION OF INFORMATION

Management's Discussion and Analysis provides a narrative on the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Consolidated Results
- Business Segment Results 2004 vs. 2003
- Corporate Items 2004 vs. 2003
- Business Segment Results 2003 vs. 2002
- Corporate Items 2003 vs. 2002
- Stock Option Accounting
- · Liquidity and Capital Resources
- Contractual Obligations, Commitments and Off Balance Sheet Arrangements
- Accounting Policies and Estimates
- Accounting Changes
- Forward-Looking Statements

CONSOLIDATED RESULTS

2004 VS. 2003

Net income for the year was \$2.3 billion, which was \$1.1 billion higher than the prior year. The increase in net income for the year was primarily the result of improvements in segment operating income in all of the operating segments (see Business Segment Results below for further discussion). Diluted earnings per share for the year were \$1.12, an increase of \$0.47 compared to the prior-year earnings per share of \$0.65 before the cumulative effect of an accounting change. Results for the year included a benefit in the fourth quarter from the settlement of certain income tax issues of \$120 million (\$0.06 per share) and restructuring and impairment charges totaling \$64 million (\$0.02 per share) in connection with the sale of the Disney Stores in North America, the majority of which were recorded in the third quarter.

Results for the prior year included a \$114 million (\$0.04 per share) write-off of an aircraft leveraged lease investment during the first quarter and the favorable settlement of certain income tax issues of \$56 million (\$0.03 per share) in the fourth quarter. Additionally, we made an accounting change effective as of the beginning of fiscal 2003 to adopt a new accounting rule for multiple element revenue accounting (EITF 00-21, see Note 2 to the Consolidated Financial

Statements) which resulted in an after-tax charge of \$71 million for the cumulative effect of the change. Diluted earnings per share including this cumulative effect were \$0.62 for the prior year.

Cash flow from operations has allowed us to continue to make necessary capital investments in our properties and to reduce our borrowings, which in turn is reducing our interest expense. During the year, we generated cash flow from operations of \$4.4 billion and had net repayment of borrowings of \$2.2 billion. As a result of our adoption of Financial Accounting Standards Board (FASB) Interpretation No. 46R Consolidation of Variable Interest Entities (FIN 46R), we consolidated the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004 and added their borrowings (\$2.2 billion for Euro Disney and \$545 million for Hong Kong Disneyland as of September 30, 2004) to our balance sheet, as well as their assets and other liabilities. Accordingly, our total borrowings at September 30, 2004 increased to \$13.5 billion. We also used cash flow from operations to repurchase \$335 million of our common stock in the fourth quarter.

2003 VS. 2002

Income before the cumulative effect of an accounting change was \$1.3 billion in fiscal 2003, which was \$102 million, or 8%, higher than in fiscal 2002. This represented diluted earnings per share before the cumulative effect of accounting change of \$0.65, which was \$0.05 higher than in fiscal 2002. We made an accounting change effective as of the beginning of fiscal 2003 to adopt a new accounting rule for multiple element revenue accounting (EITF 00-21, see Note 2 to the Consolidated Financial Statements), which impacted the timing of revenue recognition related to NFL football programming at ESPN. This change resulted in a cumulative effect charge totaling \$71 million. Diluted earnings per share including the effect of this accounting change were \$0.62 for fiscal 2003.

Results for 2003 also included a write-off of an aircraft leveraged lease investment with United Airlines (\$114 million pre-tax or \$0.04 per share), a pre-tax gain of \$16 million on the sale of the Anaheim Angels and restructuring and impairment charges of \$16 million at The Disney Store. Additionally, fiscal 2003 included a benefit from the favorable settlement of certain state tax issues (\$56 million or \$0.03 per share). Results for fiscal 2002 included a pre-tax gain on the sale of shares of Knight-Ridder, Inc. (\$216 million or \$0.06 per share) and a pre-tax gain on the sale of the Disney Store business in Japan (\$34 million or \$0.01 per share).

BUSINESS SEGMENT RESULTS

				% cha	inge
				2004	2003
				VS.	VS.
(in millions)	2004	2003	2002	2003	2002
Revenues:					
Media Networks	\$11,778	\$10,941	\$ 9,733	8%	12%
Parks and Resorts	7,750	6,412	6,465	21%	(1)%
Studio Entertainment	8,713	7,364	6,691	18%	10%
Consumer Products	2,511	2,344	2,440	7%	(4)%
	\$30,752	\$27,061	\$25,329	14%	7%
Segment operating income:	-				
Media Networks	\$ 2,169	\$ 1,213	\$ 986	79%	23%
Parks and Resorts	1,123	957	1,169	17%	(18)%
Studio Entertainment	662	620	273	7%	nm
Consumer Products .	534	384	394	39%	(3)%
	\$ 4,488	\$ 3,174	\$ 2.822	41%	12%

The Company evaluates the performance of its operating segments based on segment operating income and management uses aggregate segment operating income as a measure of the overall performance of the operating businesses. The Company believes that aggregate segment operating income assists investors by allowing

them to evaluate changes in the operating results of the Company's portfolio of businesses separate from factors other than business operations that affect net income. The following table reconciles segment operating income to income before income taxes, minority interests and the cumulative effect of accounting change.

			% cha	nge
			2004	2003
			VS.	VS.
2004	2003	2002	2003	2002
\$4,488	\$3,174	\$2,822	41%	12%
(428)	(443)	(417)	(3)%	6%
(12)	(18)	(21)	(33)%	(14)%
_	16	34	nm	(53)%
(617)	(793)	(453)	(22)%	75%
372	334	225	11%	48%
(64)	(16)	·	nm	nm
\$3,739	\$2,254	\$2,190	66%	3%
	(428) (12) — (617) 372 (64)	\$4,488 \$3,174 (428) (443) (12) (18) — 16 (617) (793) 372 334 (64) (16)	\$4,488 \$3,174 \$2,822 (428) (443) (417) (12) (18) (21) — 16 34 (617) (793) (453) 372 334 225 (64) (16) —	2004 2003 2002 2003 \$4,488 \$3,174 \$2,822 41% (428) (443) (417) (3)% (12) (18) (21) (33)% — 16 34 nm (617) (793) (453) (22)% 372 334 225 11% (64) (16) — nm

Depreciation expense is as follows:

(in millions)	2004	2003	2002
Media Networks	\$ 172	\$ 169	\$ 180
Parks and Resorts			
Domestic	710	681	648
International ⁽¹⁾	95	-	
Studio Entertainment	22	39	46
Consumer Products	44	63	58
Segment depreciation expense	1,043	952	932
Corporate	155	107	89
Total depreciation expense	\$1,198	\$1,059	\$1,021
		THE RESERVE OF THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN	

⁽¹⁾ Represents 100% of Euro Disney and Hong Kong Disneyland's depreciation expense beginning April 1, 2004.

Segment depreciation expense is included in segment operating income and corporate depreciation expense is included in corporate and unallocated shared expenses.

MEDIA NETWORKS

The following table provides supplemental revenue and segment operating income detail for the Media Networks segment:

				% chan	ige
(in millions)	2004	2003	2002	2004 vs. 2003	2003 vs. 2002
Revenues:					
Cable Networks	\$ 6,410	\$ 5,523	\$4,675	16%	18%
Broadcasting	5,368	5,418	5,058	(1)%	7%
	\$11,778	\$10,941	\$9,733	8%	12%
Segment operating income (loss):					
Cable Networks	\$ 1,924	\$ 1,176	\$1,023	64%	15%
Broadcasting	245	37	(37)	nm	nm
	\$ 2,169	\$ 1,213	\$ 986	79%	23%

MEDIA NETWORKS

2004 VS. 2003

Revenues Media Networks revenues increased 8%, or \$837 million, to \$11.8 billion reflecting a 16% increase, or \$887 million at the Cable Networks, and a decrease of 1%, or \$50 million, at Broadcasting.

Increased Cable Networks revenues were driven by increases of \$696 million in revenues from cable and satellite operators and \$236 million in advertising revenues. Increased advertising revenue was primarily a result of the increases at ESPN due to higher advertising rates and at ABC Family due to higher ratings. Revenues from cable and satellite operators are largely derived from fees charged on a per subscriber basis, and the increases in the current year reflected both

contractual rate adjustments and to a lesser extent subscriber growth. The Company's contractual arrangements with cable and satellite operators are renewed or renegotiated from time to time in the ordinary course of business. A significant number of these arrangements will be up for renewal in the next 12 months. Consolidation in the cable and satellite distribution industry and other factors may adversely affect the Company's ability to obtain and maintain contractual terms for the distribution of its various cable and satellite programming services that are as favorable as those currently in place. If this were to occur, revenues from Cable Networks could increase at slower rates than in the past or could be stable or decline.

Decreased Broadcasting revenues were driven primarily by a decrease of \$147 million at the ABC Television Production and

Distribution businesses partially offset by an increase of \$63 million at the ABC Television Network. The decrease in television production and distribution revenues was primarily due to lower syndication revenue and license fees. The increase at the Network was driven by higher advertising revenues reflecting higher rates due to an improved advertising marketplace, partially offset by lower ratings and a decrease due to airing the Super Bowl in fiscal 2003.

Costs and Expenses Costs and expenses consist primarily of programming rights amortization, production costs, distribution and selling expenses and labor costs. Costs and expenses decreased 1%, or \$119 million, to \$9.6 billion. The decrease reflected lower costs at Broadcasting, partially offset by higher costs at Cable. The decrease at Broadcasting was due to lower programming costs partially offset by higher pension and other administrative costs as well as higher MovieBeam costs. Higher costs at Cable reflected increased programming, pension and administrative costs, partially offset by lower bad debt expense.

Lower programming costs at Broadcasting were driven by lower sports programming costs due primarily to the airing of the Super Bowl in the prior-year, lower license fees for primetime series and fewer primetime movies. Additionally, the prior year included higher news production costs due to the coverage of the military conflict in Iraq.

Higher programming costs at the Cable Networks were primarily due to higher rights and production costs at ESPN, partially offset by lower NFL amortization due to commencing the three year option period as described under "Sports Programming Costs" below. The decrease in bad debt expense at the Cable Networks reflected the favorable impact of a bankruptcy settlement with a cable operator in Latin America in the second quarter of the current year.

Segment Operating Income Segment operating income increased 79%, or \$956 million, to \$2.2 billion reflecting increases of \$748 million at the Cable Networks and \$208 million at Broadcasting. Growth at the Cable Networks reflected higher affiliate revenues, higher advertising revenue and lower NFL programming costs, partially offset by higher rights and production cost and higher administrative expenses. Increased segment operating income at Broadcasting reflected higher advertising revenues at the ABC Television Network and lower programming and production costs, partially offset by higher administrative expenses.

Sports Programming Costs The initial five-year period of the Company's contract to televise NFL games was non-cancelable and ended with the telecast of the 2003 Pro Bowl. In February 2003, the NFL did not exercise its renegotiation option and as a result, the Company's NFL contract was extended for an additional three years ending with the telecast of the 2006 Pro Bowl. The aggregate fee for the three-year period is \$3.7 billion. ESPN recognized its portion of the costs of the initial five-year term of the contract at levels that increased each year commensurate with expected increases in NFL revenues. As a result, ESPN experienced its highest level of NFL programming costs during fiscal 2003. The implementation of the contract extension resulted in a \$180 million reduction in NFL programming costs at ESPN in fiscal 2004 as compared to fiscal 2003. The majority of this decrease was in the first quarter. These costs will be relatively level over the remaining two years of the contract extension.

Cost recognition for NFL programming at the ABC Television Network in fiscal 2004 decreased by \$300 million as compared to fiscal 2003. The decrease at the ABC Television Network is primarily due to the absence of the Super Bowl, which was aired by the ABC Television Network in fiscal 2003, as well as fewer games in fiscal 2004. The absence of the Super Bowl and the lower number of games

at the ABC Television Network also resulted in lower revenue from NFL broadcasts in fiscal 2004.

Due to the payment terms in the NFL contract, cash payments under the contract in fiscal 2004 totaled \$1.2 billion as compared to \$1.3 billion in fiscal 2003.

The Company has various contractual commitments for the purchase of television rights for sports and other programming, including the NFL, NBA, MLB, NHL and various college football conference and bowl games. The costs of these contracts have increased significantly in recent years. We enter into these contractual commitments with the expectation that, over the life of the contracts, revenue from advertising during the programming and affiliate fees will exceed the costs of the programming. While contract costs may initially exceed incremental revenues and negatively impact operating income, it is our expectation that the combined value to our sports networks from all of these contracts will result in long-term benefits. The actual impact of these contracts on the Company's results over the term of the contracts is dependent upon a number of factors, including the strength of advertising markets, effectiveness of marketing efforts and the size of viewer audiences.

MovieBeam The Company launched MovieBeam, an on-demand electronic movie rental service in three domestic cities in October 2003. As of September 30, 2004, the Company's recorded investment in MovieBeam and Dotcast, Inc., the third party licensor of the principal underlying technology, totaled \$60 million. The Company has executed licensing arrangements under which it would pay an additional \$55 million over the next three and one half years (\$10 million of which was paid in October 2004) if the Company continues to pursue this business over that time frame. The Company is currently evaluating the go forward business model and is in discussion with potential strategic investors. The success of the venture in the initial markets as well as decisions with respect to strategic investors will determine the strategic direction of the business, its future rollout plans, and the ultimate recoverability of the investment.

PARKS AND RESORTS 2004 VS. 2003

Revenues Revenues at Parks and Resorts increased 21%, or \$1.3 billion, to \$7.8 billion. The increase was driven by increases of \$715 million due to the consolidation, effective April 1, 2004, of Euro Disney and Hong Kong Disneyland (primarily Euro Disney), \$609 million from the Walt Disney World Resort, and \$95 million from the Disneyland Resort. These increases were partially offset by a decrease of \$61 million resulting from the sale of the Anaheim Angels baseball team during the third quarter of fiscal 2003.

At the Walt Disney World Resort, increased revenues were primarily driven by higher theme park attendance, occupied room nights, and per capita spending at the theme parks, partially offset by lower per room guest spending at the hotels. Higher theme park attendance was driven by increased resident, domestic, and international guest visitation, reflecting the continued success of *Mission: SPACE*, *Mickey's PhilharMagic* and Disney's Pop Century Resort, and improvements in travel and tourism. Guest spending decreases at the hotels reflected a higher mix of hotel guest visitation at the lower priced value resorts.

At the Disneyland Resort, increased revenues were primarily due to higher guest spending at the theme parks and hotel properties.

Across our domestic theme parks, attendance increased 7% and per capita guest spending increased 6% compared to the prior year. Attendance and per capita guest spending at the Walt Disney World Resort increased 10% and 4%, respectively. Attendance at the Disneyland Resort remained flat while per capita guest spending increased 7%. Operating statistics for our hotel properties are as follows (unaudited):

	20000	Coast		Coast		Domestic sorts		
		Twelve Months Ended September 30,						
	2004	2003	2004	2003	2004	2003		
Occupancy Available Room Nights (in	77%	76%	87%	83%	78%	77%		
thousands)	8,540	7,550	816	816	9,356	8,366		
Per Room Guest Spending	\$198	\$202	\$253	\$245	\$204	\$206		

The increase in available room nights reflected the opening of the value priced Disney's Pop Century Resort in the first quarter of fiscal 2004. Per room guest spending consists of the average daily hotel room rate as well as guest spending on food, beverages, and merchandise at the hotels. The decline in per room guest spending reflects a higher mix of hotel guest visitation at the lower priced value resorts.

Costs and Expenses Costs and expenses, which consist principally of labor, costs of merchandise, food and beverages sold, depreciation, repairs and maintenance, entertainment, marketing and sales expense, increased 21%, or \$1.2 billion compared to fiscal 2003. The increase in costs and expenses was primarily due to the consolidation of Euro Disney and Hong Kong Disneyland, which increased costs and expenses by \$651 million, as well as higher operating costs at both domestic resorts. Higher operating costs were driven by volume increases as well as higher employee benefits, marketing and sales costs, depreciation expense, and information technology costs. Higher employee benefits costs reflected increased pension and post-retirement medical costs, which grew \$137 million at the domestic resorts. Higher marketing costs were driven by the opening of Mission: SPACE at Epcot and Disney's Pop Century Resort at Walt Disney World and by The Twilight Zone ™ Tower of Terror and the 50th anniversary celebration at Disneyland. Higher depreciation reflects new resort properties and theme park attractions as well as new information technology systems. These increases were partially offset by cost decreases due to the sale of the Anaheim Angels during the third quarter of fiscal 2003.

Segment Operating Income Segment operating income increased 17%, or \$166 million, to \$1.1 billion, primarily due to growth at the Walt Disney World Resort and the consolidation of Euro Disney which contributed \$75 million of the increase in operating income.

STUDIO ENTERTAINMENT 2004 VS. 2003

Revenues Revenues increased 18%, or \$1.3 billion, to \$8.7 billion, driven by increases of \$1.4 billion in worldwide home entertainment and \$151 million in television distribution, partially offset by a decrease of \$215 million in worldwide theatrical motion picture distribution.

Higher worldwide home entertainment revenues reflected higher DVD unit sales in the current year, which included Disney/Pixar's Finding Nemo, Pirates of the Caribbean, The Lion King and Brother Bear compared to the prior year, which included Lilo & Stitch and Beauty and the Beast. Increased revenues in television distribution reflected higher pay television sales due to better performances of live-action titles. Worldwide theatrical motion picture distribution revenue decreases reflected the performance of current year titles, which included Home on the Range, The Alamo and King Arthur, which faced difficult comparisons to the strong performances of prior year titles, which included Finding Nemo (domestically) and Pirates of the Caribbean. Partially offsetting the decrease was the successful performance of Finding Nemo internationally in fiscal 2004.

Costs and Expenses Costs and expenses, which consist primarily

of production cost amortization, distribution and selling expenses, product costs and participations costs, increased 19%, or \$1.3 billion. Higher costs and expenses reflected increases in worldwide home entertainment and worldwide theatrical motion picture distribution. Higher costs in worldwide home entertainment reflected higher distribution costs and production cost amortization for current year titles, primarily due to the increased unit sales volume for *Finding Nemo* and Pirates of the Caribbean. In addition, participation expense was higher in the current year because of participation arrangements with Finding Nemo and Pirates of the Caribbean. Pixar receives an equal share of profits (after distribution fees) as co-producer of Finding Nemo. Higher costs in worldwide theatrical motion picture distribution reflected increased distribution costs for current year titles, which included King Arthur, Brother Bear and The Village, and increased production cost amortization, including higher film writeoffs, for current year titles which included Home on the Range and The Alamo. These increases were partially offset by lower production and development write-offs and lower participation expense as the prior year included participation payments for the domestic theatrical release of Finding Nemo and the worldwide theatrical release of Pirates of the Caribbean. Cost and expenses for television distribution were comparable year over year.

Segment Operating Income Segment operating income increased 7%, or \$42 million, to \$662 million, due to improvements in worldwide home entertainment and television distribution, partially offset by declines in worldwide theatrical motion picture distribution.

Miramax The Company does not expect business at its subsidiary Miramax to continue at the same level beyond the September 30, 2005 date on which the current contractual relationship with the cochairmen (Bob and Harvey Weinstein) will end. The Company is currently in negotiations with the Weinsteins regarding the future of our business relationship with them. At this time the Company is unable to determine whether projects currently in progress may be abandoned or otherwise impaired and whether there will be any material charges.

CONSUMER PRODUCTS 2004 VS. 2003

Revenues Revenues increased 7%, or \$167 million, to \$2.5 billion, reflecting increases of \$73 million in merchandise licensing, \$72 million in publishing and \$28 million at the Disney Stores.

Higher merchandise licensing revenues were due to higher sales of hardlines, softlines and toys which were driven by the strong performance of *Disney Princess* and certain film properties. The increase at publishing primarily reflected the strong performance of *Finding Nemo* and other childrens books and *W.I.T.C.H.* magazine and book titles across all regions.

Costs and Expenses Overall costs and expenses were essentially flat at \$2.0 billion. Costs and expenses reflected decreases at The Disney Store due primarily to overhead savings and the closure of underperforming stores, offset by volume related increases in publishing and higher operating expenses related to merchandise licensing.

Segment Operating Income Segment operating income increased 39%, or \$150 million, to \$534 million, primarily driven by an increase of \$117 million at the Disney Store due primarily to overhead savings and the closure of underperforming stores as well as margin improvements. Improvements in merchandise licensing and publishing also contributed to operating income growth.

Disney Stores On November 21, 2004, the Company sold substantially all of The Disney Store chain in North America under a long-term licensing arrangement to a wholly-owned subsidiary of The Children's Place ("TCP"). Pursuant to the terms of the sale, The Disney Store North America will retain its lease obligations and will become a wholly-owned subsidiary of TCP. TCP will pay the Company a royalty on the physical retail store sales beginning on the second anniversary of the closing date of the sale.

During the year, the Company recorded \$64 million of restructuring and impairment charges related to The Disney Store. The bulk of the charge (\$50 million) was an impairment of the carrying value of the fixed assets related to the stores to be sold which was recorded in the third quarter based on the terms of sale. Additional charges recorded during the year related to the closure of stores that would not be sold and to transaction costs related to the sale.

The Company will record additional charges for working capital and other adjustments related to the close of this transaction during the first quarter of fiscal 2005. Additional restructuring costs will also be recognized later in fiscal 2005. We expect that the total costs that will be recorded in fiscal 2005 will range from \$40 million to \$50 million.

The Company is currently considering options with respect to the stores in Europe, including a potential sale. The carrying value of the fixed and other long-term assets of the chain in Europe totaled \$36 million at September 30, 2004. Depending on the terms of a sale, an impairment of these assets is possible. The base rent lease obligations for the chain in Europe totaled \$206 million at September 30, 2004.

The following table provides supplemental revenues and operating income detail for The Disney Stores:

				% change	
				2004	2003
	2004	2002	2002	VS.	VS.
(in millions)	2004	2003	2002	2003	2002
Revenues:					
North America	\$628	\$ 644	\$ 721	(2)%	(11)%
Europe	326	278	261	17%	7%
Other	23	27	123	(15)%	(78)%
	\$977	\$ 949	\$1,105	3%	(14)%
Operating income:					
North America	\$ 6	\$(101)	\$ (37)	nm	nm
Europe	17	14	22	21%	(36)%
Other	11	4	22	nm	(82)%
	\$ 34	\$ (83)	\$ 7	nm	nm

CORPORATE ITEMS

2004 VS. 2003

Corporate and Unallocated Shared Expenses Corporate and unallocated shared expenses decreased 3% for the year to \$428 million. The current year reflected the favorable resolution of certain legal matters, partially offset by higher legal and other administrative costs.

Net Interest Expense Net interest expense is detailed below:

			% change		
2004	2003	2002	2004 vs. 2003	2003 vs. 2002	
\$(629)	\$(666)	\$(708)	(6)%	(6)%	
(16)	(114)	_	(86)%	nm	
28	(13)	255	nm	nm	
\$(617)	\$(793)	\$(453)	(22)%	75%	
	\$(629) (16) 28	\$(629) \$(666) (16) (114) 28 (13)	\$(629) \$(666) \$(708) (16) (114) — 28 (13) 255	2004 2003 2002 2003 \$(629) \$(666) \$(708) (6)% (16) (114) — (86)% 28 (13) 255 nm	

Excluding an increase of \$51 million due to the consolidation of Euro Disney and Hong Kong Disneyland for the year, interest expense decreased \$88 million (or 13%) for the year. Lower interest expense for the year was primarily due to lower average debt balances.

Interest and investment income (loss) was income of \$28 million compared to a loss of \$13 million in the prior year. The current year reflected higher interest income while the prior year period included a loss on the early repayment of certain borrowings.

Equity in the Income of Investees The increase in equity in the income of our investees reflected increases at Lifetime Television, due to lower programming and marketing expenses, as well as increases at A&E and E! Entertainment due to higher advertising revenues.

Effective Income Tax Rate The effective income tax rate decreased from 35.0% in fiscal 2003 to 32.0% in fiscal 2004. The decrease in the fiscal 2004 effective income tax rate is primarily due to tax reserve adjustments including a \$120 million reserve release as a result of the favorable resolution of certain federal income tax issues. As more fully disclosed in Note 7 to the Consolidated Financial Statements, the fiscal 2004 effective income tax rate reflects a \$97 million benefit for certain income exclusions provided for under U.S. income tax laws. As discussed in Note 7 to the Consolidated Financial Statements, this exclusion has been repealed and will be phased out commencing fiscal 2005.

Pension and Benefit Costs Increasing pension and post-retirement medical benefit plan costs have affected results in all of our segments, with the majority of these costs being borne by the Parks and Resorts segment. The costs increased from \$131 million in fiscal 2003 to \$374 million in fiscal 2004. The increase in fiscal 2004 was due primarily to decreases in the discount rate to measure the present value of plan obligations, the expected return on plan assets and the actual performance of plan assets. The discount rate assumption decreased from 7.20% to 5.85% reflecting the decline in overall market interest rates and the expected return on plan assets was reduced from 8.5% to 7.5% reflecting trends in the overall financial markets.

We expect pension and post-retirement medical costs to decrease in fiscal 2005 to \$315 million. The decrease is due primarily to an increase in the discount rate assumption from 5.85% to 6.30%, reflecting increases in prevailing market interest rates.

Cash contributions to the plans are expected to decrease in fiscal 2005 to approximately \$165 million from \$173 million in fiscal 2004.

Due to plan asset performance and an increase in the present value of pension obligations, pension obligations exceed plan assets for certain of our pension plans. In this situation, the accounting rules require that we record an additional minimum pension liability. The additional minimum pension liability adjustment at September 30, 2004 and 2003 is as follows:

	Mini Liabi Septem	-	Decreased Liability
	2004	2003	in 2004
Pretax Aftertax	\$415 \$261	\$969 \$608	\$(554) \$(347)

The decrease in the additional minimum pension liability in fiscal 2004 was due to the increase in the discount rate from 5.85% to 6.30% and improved plan asset performance. The accounting rules do not require that changes in the additional minimum pension liability adjustment be recorded in current period earnings but rather are to be recorded directly to equity through accumulated other comprehensive income. Expense recognition under the pension accounting rules is based upon long-term trends over the expected life of the Company's workforce. See Note 8 to the Consolidated Financial Statements for further discussion.

BUSINESS SEGMENT RESULTS

MEDIA NETWORKS

2003 VS. 2002

Revenues Media Networks revenues increased 12%, or \$1.2 billion, to \$10.9 billion reflecting increases of 18%, or \$848 million at the Cable Networks and 7%, or \$360 million, at Broadcasting.

Increased Cable Networks revenues were driven by increases of \$455 million in revenues from cable and satellite operators and \$385 million in advertising revenues. Increased advertising revenue was primarily a result of the addition of NBA games. Revenues from cable and satellite operators increased due to contractual rate adjustments and subscriber growth.

Increased Broadcasting revenues were driven primarily by an increase of \$196 million at the ABC Television Network, \$60 million at the Company's owned and operated television stations and \$33 million at the radio networks and stations. The increases at the television network and stations were primarily driven by higher advertising revenues reflecting higher rates due to an improved advertising marketplace. The airing of the Super Bowl in the second quarter of fiscal 2003 also contributed to increased advertising revenues. Revenues at the radio networks and stations also increased due to the stronger advertising market.

Costs and Expenses Costs and expenses increased 11%, or \$981 million over fiscal 2002 due to higher programming and production costs, partially offset by lower bad debt expense at the Cable Networks. Additionally, fiscal 2002 benefited from the receipt of insurance proceeds related to the loss of a broadcast tower.

Higher programming and production costs at the ABC Television Network were primarily due to the airing of the Super Bowl and the costs of coverage of the war in Iraq. Higher programming costs at the Cable Networks were primarily due to NBA and MLB telecasts and higher programming costs at ABC Family. Programming cost increases were partially offset by lower cost amortization for the NFL contract due to commencing the three year option period as described under "Sports Programming Costs" above. The decrease in bad debt expense at Cable Networks reflected negative impacts in fiscal 2002 related to financial difficulties of Adelphia Communications Company in the United States and KirchMedia & Company in Germany.

Segment Operating Income Segment operating income increased 23%, or \$227 million, to \$1.2 billion. The increase reflected increases of \$74 million at Broadcasting and \$153 million at the Cable Networks. Increased segment operating income at Broadcasting reflected higher advertising revenues, partially offset by increased

programming and production costs. Growth at the Cable Networks reflected higher revenues from cable and satellite operators and higher advertising revenue, partially offset by increased sports programming costs.

PARKS AND RESORTS

2003 VS. 2002

Revenues Revenues at Parks and Resorts decreased 1%, or \$53 million, to \$6.4 billion, driven by decreases of \$57 million due to the sale of the Anaheim Angels baseball team during the third quarter of fiscal 2003, \$51 million from decreased revenues from Euro Disney, and \$14 million from the Walt Disney World Resort. These decreases were partially offset by an increase of \$83 million at the Disneyland Resort. The decrease in revenues from Euro Disney reflected the cessation of billing and recognition of revenues from royalties and management fees commencing with the second quarter of fiscal 2003 due to Euro Disney's financial difficulties.

Revenues at the Walt Disney World Resort were down marginally, reflecting lower theme park attendance and hotel occupancy, partially offset by increased per capita guest spending at the theme parks and hotel properties. Decreased theme park attendance and hotel occupancy at the Walt Disney World Resort reflected continued softness in travel and tourism. Guest spending increases reflected ticket price increases during fiscal 2003.

At the Disneyland Resort, increased revenues were driven by higher theme park attendance and hotel occupancy. These increases were due primarily to the success of certain promotional programs offered during fiscal 2003, as well as the opening of new attractions and entertainment venues at Disneyland Park and Disney's California Adventure during fiscal 2003.

Costs and Expenses Costs and expenses increased 3%, or \$159 million compared to fiscal 2002. The increase in costs and expenses was primarily due to higher costs at the Walt Disney World and Disneyland Resorts, partially offset by cost decreases due to the sale of the Anaheim Angels during the third quarter of fiscal 2003. Higher costs at Walt Disney World and Disneyland were primarily driven by increases in employee benefits, repairs and maintenance, marketing, information systems, insurance, and depreciation expenses.

Segment Operating Income Segment operating income decreased 18%, or \$212 million, to \$957 million, primarily due to higher costs and expenses at the Walt Disney World Resort and the decreased revenues from Euro Disney. Revenue increases at the Disneyland Resort were offset by higher costs and expenses.

STUDIO ENTERTAINMENT

2003 VS. 2002

Revenues Revenues increased 10%, or \$673 million, to \$7.4 billion. The increase primarily reflects an increase of \$553 million in worldwide theatrical motion picture distribution and \$185 million in worldwide home entertainment distribution.

The worldwide theatrical motion picture distribution revenue increase reflected the strong performance of *Pirates of the Caribbean, Finding Nemo, Chicago, Santa Clause 2, Bringing Down the House* and *Bruce Almighty*, which the Company distributed internationally, compared to fiscal 2002, which included Disney/Pixar's *Monsters, Inc., Signs* and *Lilo & Stitch*. Worldwide home video increases reflected stronger DVD and VHS sales of *Lilo & Stitch, Beauty & the Beast, Signs, Sweet Home Alabama* and other DVD titles compared to fiscal 2002, which included *Monsters, Inc., Pearl Harbor* and *Snow White and the Seven Dwarfs*.

Costs and Expenses Costs and expenses increased 5%, or \$326 million, reflecting increases in worldwide theatrical and international home entertainment and higher development and production write-offs, partially offset by decreases in television distribution and domestic home entertainment costs. Higher costs in worldwide the-

atrical reflected higher distribution costs for fiscal 2003 titles due to the promotion of high-profile releases, including Finding Nemo, Pirates of the Caribbean, Chicago and Gangs of New York, partially offset by lower production cost amortization due to the write-down of Treasure Planet in fiscal 2002. Cost increases in international home entertainment reflected higher distribution costs and production cost amortization for fiscal 2003 titles, which included Beauty & the Beast, Lilo & Stitch and Treasure Planet, partially offset by lower participation costs. Lower costs in television distribution reflected lower production cost amortization and participation costs related to the sale of film products to television networks, the pay television market and in domestic syndication. Lower costs in domestic home entertainment reflected higher participation costs for fiscal 2002 titles, which included Monsters, Inc. and Pearl Harbor.

Segment Operating Income Segment operating income increased from \$273 million to \$620 million, due to growth in worldwide theatrical motion picture distribution, higher revenues in domestic home entertainment, lower television distribution costs, partially offset by higher development and production write-offs.

CONSUMER PRODUCTS

2003 VS. 2002

Revenues Revenues decreased 4%, or \$96 million, to \$2.3 billion, reflecting declines of \$161 million at the Disney Store, partially offset by increases of \$60 million in merchandise licensing and \$30 million in publishing operations.

The decline at the Disney Store is due primarily to the sale of the Disney Store business in Japan in fiscal 2002, as well as lower comparative store sales and fewer stores in North America. The increase in merchandise licensing primarily reflected higher revenues from toy licensees, due in part to higher contractually guaranteed minimum royalties in North America, strong performance across Europe and increased royalties from direct-to-retail licenses. Higher publishing revenues were driven by increases in Europe, reflecting the strong performance of the *Topolino*, *W.I.T.C.H.* and *Art Attack* titles.

Costs and Expenses Costs and expenses, which consist primarily of labor, product costs (including product development costs, distribution and selling expenses) and leasehold and occupancy expenses, decreased 4% or \$86 million. The decrease was primarily driven by lower costs at the Disney Store due to the sale of the Japan business and closures of Disney Store locations domestically. These decreases were partially offset by volume increases at publishing and higher divisional administrative costs.

Segment Operating Income Segment operating income decreased 3%, or \$10 million, to \$384 million, primarily driven by a decline at the Disney Store and increased administrative costs, partially offset by an increase in merchandise licensing.

CORPORATE ITEMS

2003 VS 2002

Corporate and Unallocated Shared Expenses Corporate and unallocated shared expenses increased in fiscal 2003 reflecting additional costs associated with new finance and human resource information technology systems, partially offset by lower brand promotion and litigation costs. Fiscal 2002 also included gains on the sale of properties in the U.K.

Net Interest Expense Lower interest expense in fiscal year 2003 was primarily due to lower interest rates and average debt balances.

Interest and investment income (loss) in fiscal year 2003 included the \$114 million write-off of our leveraged lease investment with United Airlines referred to above. Fiscal 2002 included a \$216 million gain on the sale of shares of Knight-Ridder, Inc.

Equity in the Income of Investees Higher equity in the income of our investees reflected increases at Lifetime Television, due to lower advertising expenses, as well as increases at A&E and E! Entertainment due to higher advertising revenues. In addition, in fiscal year 2002 a write-down of an investment in a Latin American cable operator negatively affected equity income.

Effective Income Tax Rate The effective income tax rate decreased from 38.9% in fiscal 2002 to 35.0% in fiscal 2003. The decrease in the fiscal 2003 effective income tax rate is primarily due to a \$56 million reserve release as a result of the favorable resolution of certain state income tax exposures.

STOCK OPTION ACCOUNTING

The Company uses the intrinsic-value method of accounting for stock-based awards granted to employees and, accordingly, does not recognize compensation expense for the fair value of its stock-based awards to employees in its Consolidated Statements of Income.

The following table reflects pro forma net income and earnings per share had the Company elected to record an expense for the fair value of employee stock options.

	Year Ended September 30,				
(in millions, except for per share data)	2004	2003	2002		
Net income:	\$2,345	\$1,267	\$1,236		
As reported Pro forma after stock option	\$4,545	\$1,207	\$1,230		
expense	2,090	973	930		
Diluted earnings per share: As reported	1.12	0.62	0.60		
Pro forma after stock option expense	1.00	0.48	0.45		

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

Fully diluted shares outstanding and diluted earnings per share include the effect of in-the-money stock options calculated based on the average share price for the period and assumes conversion of the convertible senior notes (see Note 6 to the Consolidated Financial Statements). The dilution from employee options increases as the Company's share price increases, as shown below:

Average Disney Share Price	Total In-the- Money Options	Incremental Diluted Shares(1)	Percentage of Average Shares Outstanding	Hypothetical FY 2004 EPS Impact ⁽³⁾
\$23.72	106 million	(2)		\$ 0.00
25.00	134 million	3 million	0.14%	(0.00)
30.00	160 million	17 million	0.81%	(0.01)
40.00	221 million	43 million	2.04%	(0.02)
50.00	230 million	59 million	2.80%	(0.03)

(1) Represents the incremental impact on fully diluted shares outstanding assuming the average share prices indicated, using the treasury stock method. Under the treasury stock method, the tax effected proceeds that would be received from the exercise of all in-the-money options are assumed to be used to repurchase shares.

²³Fully diluted shares outstanding for the year ended September 30, 2004 total 2,106 million and include the dilutive impact of in-the-money options at the average share price for the period of \$23.72 and the assumed conversion of the convertible senior notes. At the average share price of \$23.72, the dilutive impact of in-the-money options was 12 million shares for the year.

(3) Based upon fiscal 2004 earnings of \$2,345 million or \$1.12 per share.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by \$459 million during the year ended September 30, 2004. The change in cash and cash equivalents is as follows:

(in millions)		Year Ended September 30,					
		2004		2003		2002	
Cash provided by operating							
activities	\$ 4	4,370	\$:	2,901	\$:	2,286	
Cash used by investing activities	(1,484)	(1,034)	(.	3,176	
Cash (used) provided by financing							
activities	(2	2,701)	(1,523)		1,511	
		185		344		621	
Consolidation of Euro Disney and Hong Kong Disneyland cash and							
cash equivalents(1)		274					
Increase in cash and cash							
equivalents	\$	459	\$	344	\$	621	

⁽¹⁾ Amount represents the cash balances of Euro Disney and Hong Kong Disneyland on March 31, 2004 when they were initially consolidated pursuant to FIN 46R. As previously discussed the Company adopted FIN 46R, and as a result, began consolidating the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004, and the income and cash flow statements beginning April 1, 2004.

Operating Activities Cash provided by operations increased 51%, or \$1.5 billion, to \$4.4 billion, reflecting higher pre-tax income adjusted for non-cash items and lower net investment in film and television costs, partially offset by higher income tax payments. We anticipate that we will have a significant increase in our net investment in film and television costs in fiscal 2005.

Investing Activities Investing activities consist principally of investments in parks, resorts and other property and mergers, acquisition and divestiture activity. The Company's investing activities generally consist of investments in parks, resorts and other property. During fiscal 2002, investing activities included approximately \$2.8 billion for the acquisition of ABC Family Worldwide.

INVESTMENTS IN PARKS, RESORTS AND OTHER PROPERTIES

Investments in parks, resorts and other properties by segment are as follows:

	Year Ended September 30,			
(in millions)	2004	2003	2002	
Media Networks	\$ 221	\$ 203	\$ 151	
Parks and Resorts:				
Domestic	719	577	636	
International ⁽¹⁾	289			
Studio Entertainment	39	49	37	
Consumer Products	14	44	58	
Corporate and unallocated shared				
expenditures	145	176	204	
	\$1,427	\$1,049	\$1,086	

⁽¹⁾ Represents 100% of Euro Disney and Hong Kong Disneyland's capital expenditures beginning April 1, 2004.

Capital expenditures for the Parks and Resorts segment are principally for theme park and resort expansion, new rides and attractions and recurring capital and capital improvements. The increase in domestic park spending in fiscal 2004 as compared to fiscal 2003 was primarily due to spending in anticipation of the 50th anniversary

celebration which includes new attractions at Walt Disney World and Disneyland. The decrease in fiscal 2003 as compared to fiscal 2002 was primarily due to the completion in fiscal 2002 of a new resort facility at Walt Disney World. The international park spending in fiscal 2004, representing six months of Euro Disney and Hong Kong Disneyland capital expenditures following the implementation of FIN 46R, primarily relates to Hong Kong Disneyland construction. Our minority partner contributed \$66 million which is included in financing activities.

Capital spending will increase in fiscal 2005 due to including a full year of spending for Euro Disney and Hong Kong Disneyland as a result of FIN 46R, and to a lesser extent, due to higher domestic theme park spending.

Capital expenditures at Media Networks primarily reflect investments in facilities and equipment for expanding and upgrading broadcast centers, production facilities and television station facilities.

Corporate and unallocated capital expenditures were primarily for information technology software and hardware.

OTHER INVESTING ACTIVITIES

During fiscal 2004, the Company purchased certain financial investments totaling \$67 million, made equity contributions to Hong Kong Disneyland totaling \$46 million in the first six months of the year, and acquired the film library and intellectual property rights for the Muppets and Bear in the Big Blue House for \$68 million (\$45 million in cash).

During fiscal 2003, the Company invested \$130 million primarily for the acquisition of a radio station. The Company also made equity contributions to Hong Kong Disneyland totaling \$47 million and received proceeds of \$166 million from the sale of the Angels and certain utility infrastructure at Walt Disney World.

During fiscal 2002, the Company acquired ABC Family for \$5.2 billion, which was funded with \$2.9 billion of new long-term borrowings, plus the assumption of \$2.3 billion of borrowings.

During fiscal 2002, the Company received proceeds totaling \$601 million from the sale of investments, primarily the remaining shares of Knight-Ridder, Inc., which the Company had received in connection with the disposition of certain publishing assets in fiscal 1997. Additionally, the Company received aggregate proceeds of \$200 million from the sale of the Disney Store business in Japan and the sale of certain real estate properties in the U.K. and Florida.

Financing Activities Cash used in financing activities during fiscal 2004 of \$2.7 billion reflected net repayments of borrowings, the payment of dividends to shareholders, and share repurchases partially offset by proceeds from stock option exercises.

During the year, the Company's borrowing activity, including activity for Euro Disney and Hong Kong Disneyland commencing on April 1, 2004, was as follows:

				Total
\$100	\$		\$	100
	(1	,886)	(1	1,886)
	,	(420)		(420)
-		(89)		(89)
13		(50)		(37)
\$113	\$(2	2,445)	\$(2	2,332)
2		(34)		(32)
161				161
\$276	\$(2	2,479)	\$(2	2,203)
	13 \$113 2 161		- (1,886) - (420) - (89) 13 (50) \$113 \$(2,445) 2 (34) 161 -	- (1,886) (1,420) - (89) 13 (50) \$113 \$(2,445) \$(2,445) 2 (34) 161 -

See Note 6 to the Consolidated Financial Statements for more detailed information regarding the Company's borrowings.

At September 30, 2004, total committed borrowing capacity, capacity used and unused borrowing capacity were as follows:

(in millions)	Committed Capacity	Capacity Used	Unused Capacity
Bank facilities expiring 2005 ⁽¹⁾	\$2,250	\$ —	\$2,250
Bank facilities expiring 2009(1)(2)	2,250	205	2,045
Total	\$4,500	\$205	\$4,295

(1) These bank facilities allow for borrowings at LIBOR-based rates plus a spread, which depends on the Company's public debt rating and can range from 0.175% to 0.575%. As of September 30, 2004, the Company had not borrowed under these bank facilities. Our bank facilities were renewed on February 25, 2004 on substantially the same terms as our previous facilities. (2) The Company also has the ability to issue up to \$500 million of letters of credit under this facility, which if utilized, reduces available borrowing. As of September 30, 2004, \$205 million of letters of credit had been issued under this facility.

The Company expects to use commercial paper borrowings up to the amount of its above unused bank facilities, in conjunction with term debt issuance and operating cash flow, to retire or refinance other borrowings before or as they come due.

The Company has filed a U.S. shelf registration statement which allows the Company to borrow up to \$7.5 billion of which \$1.8 billion was available at September 30, 2004. The Company also has a European medium-term note program, which permits issuance of approximately \$4 billion of debt instruments, which has \$2.9 billion of capacity at September 30, 2004.

The Company declared an annual dividend of \$0.24 per share on December 1, 2004 related to fiscal 2004. The dividend is payable on January 6, 2005 to shareholders of record on December 10, 2004. The Company paid a \$430 million dividend (\$0.21 per share) related to fiscal 2003 on January 6, 2004 to shareholders of record on December 12, 2003. The Company paid a \$429 million dividend (\$0.21 per share) during the first quarter of fiscal 2003 applicable to fiscal 2002 and paid a \$428 million dividend (\$0.21 per share) during the first quarter of fiscal 2002 applicable to fiscal 2001.

During the fourth quarter of fiscal 2004, the Company repurchased 14.9 million shares of Disney common stock for approximately \$335 million. No shares of Disney common stock were repurchased during fiscal 2003 and fiscal 2002. As of September 30, 2004, the Company was authorized to repurchase up to approximately 315 million shares of Company common stock.

Euro Disney is currently in the process of a financial restructuring, that if completed, will result in a refinancing of its debt. See Note 4 to the Consolidated Financial Statements for further details on the terms of the restructuring.

We believe that the Company's financial condition is strong and that its cash balances, other liquid assets, operating cash flows, access to debt and equity capital markets and borrowing capacity, taken together, provide adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects. However, the Company's operating cash flow and access to the capital markets can be impacted by macroeconomic factors outside of its control. In addition to macroeconomic factors, the Company's borrowing costs can be impacted by short and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on the Company's performance as measured by certain credit measures such as interest coverage and leverage ratios. As of September 30, 2004, Moody's Investors Service's long and short-term debt ratings for the Company were Baal and P-2, respectively, with stable outlook; and Standard & Poor's long and short-term debt ratings for the Company were BBB+ and A-2, respectively, with stable outlook. The Company's bank facilities contain only one financial covenant, relating to interest coverage, which the Company met on September 30, 2004, by a significant margin. The Company's bank facilities also specifically exclude certain entities, including Euro Disney and Hong Kong Disneyland, from any representations, covenants or events of default.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OFF BALANCE SHEET ARRANGEMENTS

The Company has various contractual obligations which are recorded as liabilities in our consolidated financial statements. Other items, such as certain purchase commitments and other executory contracts are not recognized as liabilities in our consolidated financial statements but are required to be disclosed. For example, the Company is contractually committed to acquire broadcast programming and make certain minimum lease payments for the use of property under operating lease agreements.

The following table summarizes our significant contractual obligations and commercial commitments at September 30, 2004 and the future periods in which such obligations are expected to be settled in cash. In addition, the table reflects the timing of principal payments on outstanding borrowings. Additional details regarding these obligations are provided in footnotes to the financial statements, as referenced in the table:

millions) Payments Due by Period

Total Less than 1 Year 1-3 Years

(in millions)	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Borrowings (Note 6)(1)	\$19,729	\$2,411	\$4,386	\$ 1,477	\$11,455
Operating lease commitments (Note 13)	2,172	306	524	410	932
Capital lease obligations (Note 13)	885	40	120	77	648
Sports programming commitments (Note 13)	6,513	2,612	2,918	810	173
Broadcast programming commitments (Note 13)	3,087	1,510	770	574	233
Total sports and other broadcast programming commitments	9,600	4,122	3,688	1,384	406
Other ⁽²⁾	2,100	1,069	735	226	70
Total contractual obligations ⁽³⁾	\$34,486	\$7,948	\$9,453	\$3,574	\$13,511

(1) Amounts exclude market value adjustments totaling \$369 million. Maturities of Euro Disney's borrowings are included based on the contractual terms. Amounts include interest payments based on contractual terms.

⁽²⁾Other commitments primarily comprise creative talent and employment agreements including obligations to actors, producers, sports personnel, executives and television and radio personalities. Amounts also include capital expenditure commitments at Hong Kong Disneyland and other commitments, such as computer hardware maintenance commitments, vendor commitments and minimum print and advertising commitments.

(3) Comprised of the following:

Liabilities recorded on the balance sheet \$14,329Commitments not recorded on the balance sheet 20,157\$34,486 The Company also has obligations with respect to its pension and postretirement medical benefit plans. See Note 8 to the Consolidated Financial Statements.

Contingent Commitments and Contingencies The Company also has certain contractual arrangements that would require the Company to make payments or provide funding if certain circumstances occur ("contingent commitments"). The Company does not currently expect that the remaining contingent commitments will result in any amounts being paid by the Company.

Contractual Guarantees See Note 13 to the Consolidated Financial Statements for information regarding the Company's contractual guarantees.

Euro Disney As described in Note 4 to the Consolidated Financial Statements, the Company has signed a Memorandum of Agreement (MOA) with respect to the financial restructuring of Euro Disney that remains subject to certain approvals by Euro Disney's Shareholders (which the Company has agreed to vote in favor of), completion of final documentation, and successful implementation of an equity rights offering by no later than March 31, 2005. If approved, the MOA would commit the Company to make certain investments in and advances to Euro Disney. In addition, the timing of Euro Disney's future payments to its lenders will change as discussed in Note 4.

Aircraft Leveraged Lease Investment — As disclosed in more detail in Note 4 to the Consolidated Financial Statements, as of September 30, 2004, the Company's remaining net aircraft leveraged lease investment totaled approximately \$156 million, consisting of \$101 million and \$55 million with Delta Air Lines, Inc. (Delta) and FedEx, respectively. Given the current status of the airline industry, we continue to monitor the recoverability of these investments, particularly the Delta leases. Delta has disclosed that if it is unsuccessful in reducing its operating expenses and continues to experience significant losses, it will need to seek to restructure its costs under Chapter 11 of the U.S. Bankruptcy code. Although Delta remains current on their lease payments to us, the inability of Delta to make their lease payments, or the termination of our lease in a bankruptcy proceeding, could result in a material charge for the write-down of our investment and could accelerate certain income tax payments.

Legal and Tax Matters As disclosed in Notes 7 and 13 to the Consolidated Financial Statements, the Company has exposure for certain legal and tax matters.

ACCOUNTING POLICIES AND ESTIMATES

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 2 to the Consolidated Financial Statements.

Film and Television Revenues and Costs We expense the cost of film and television production and participations as well as certain multi-year sports rights over the applicable product life cycle based upon the ratio of the current period's gross revenues to the estimated remaining total gross revenues or on a straight-line basis, as appropriate. These estimates are calculated on an individual production basis for film and television and on an individual contract basis for sports rights. Estimates of total gross revenues can change significantly due to a variety of factors, including advertising rates and the level of market acceptance of the production.

For film productions, estimated remaining gross revenue from all sources includes revenue that will be earned within ten years of the date of the initial theatrical release. For television series, we include revenues that will be earned within 10 years of the delivery of the first episode, or if still in production, five years from the date of delivery of the most recent episode. For acquired film libraries, remaining revenues include amounts to be earned for up to 20 years from the date of acquisition.

Television network and station rights for theatrical movies, series and other programs are charged to expense based on the number of times the program is expected to be shown. Estimates of usage of television network and station programming can change based on competition and audience acceptance. Accordingly, revenue estimates and planned usage are reviewed periodically and are revised if necessary. A change in revenue projections or planned usage could have an impact on our results of operations.

Costs of film and television productions and programming costs for our television and cable networks are subject to valuation adjustments pursuant to applicable accounting rules. The net realizable value of the television broadcast program licenses and rights are reviewed using a daypart methodology. The Company's dayparts are: early morning, daytime, late night, primetime, news, children and sports (includes network and cable). A daypart is defined as an aggregation of programs broadcast during a particular time of day or programs of a similar type. The net realizable values of other cable programming are reviewed on an aggregated basis for each cable channel. Estimated values are based upon assumptions about future demand and market conditions. If actual demand or market conditions are less favorable than our projections, film and television programming asset write-downs may be required.

Revenue Recognition The Company has revenue recognition policies for its various operating segments, which are appropriate to the circumstances of each business. See Note 2 to the Consolidated Financial Statements for a summary of these revenue recognition policies.

We record reductions to revenues for estimated future returns of merchandise, primarily home video, DVD and software products, and for customer programs and sales incentives. These estimates are based upon historical return experience, current economic trends and projections of customer demand for and acceptance of our products. If we underestimate the level of returns in a particular period, we may record less revenue in later periods when returns exceed the predicted amount. Conversely, if we overestimate the level of returns for a period, we may have additional revenue in later periods when returns are less than predicted.

Pension and Postretirement Benefit Plan Actuarial Assumptions
The Company's pension benefit and postretirement medical benefit
obligations and related costs are calculated using actuarial concepts, within the framework of Statement of Financial Accounting
Standards No. 87 Employer's Accounting for Pensions (SFAS 87) and
Statement of Financial Accounting Standards No. 106, Employer's
Accounting for Postretirement Benefits Other than Pensions (SFAS
106), respectively. Two critical assumptions, the discount rate and the
expected return on plan assets, are important elements of expense
and/or liability measurement. We evaluate these critical assumptions
annually. Other assumptions involve employee demographic factors
such as retirement patterns, mortality, turnover and the rate of compensation increase.

The discount rate enables us to state expected future benefit payments as a present value on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. A lower discount rate increases the present value of benefit obligations and increases pension expense. We increased our discount rate to 6.30% in 2004 from 5.85% in 2003 to reflect market interest rate conditions. A one percentage point decrease in the assumed discount rate would increase annual expense and the projected benefit obliga-

tion by \$31 million and \$620 million, respectively. A one percentage point increase in the assumed discount rate would decrease annual expense and projected benefit obligations by \$29 million and \$515 million, respectively.

To determine the expected long-term rate of return on the plan assets, we consider the current and expected asset allocation, as well as historical and expected returns on each plan asset class. A lower expected rate of return on pension plan assets will increase pension expense. Our long-term expected return on plan assets was 7.50% in both 2004 and 2003, respectively. A one percentage point change in the long-term return on pension plan asset assumption would impact annual pension expense by approximately \$29 million. See Note 8 to the Consolidated Financial Statements.

Goodwill, Intangible Assets, Long-lived Assets and Investments
Effective October 1, 2001, we adopted Statement of Financial
Accounting Standards No. 142, Goodwill and Other Intangible Assets
(SFAS 142). Goodwill and other intangible assets must be tested for
impairment on an annual basis. We completed our impairment testing
as of September 30, 2004 and determined that there were no impairment losses related to goodwill and other intangible assets. In assessing the recoverability of goodwill and other intangible assets, market
values and projections regarding estimated future cash flows and
other factors are used to determine the fair value of the respective
assets. If these estimates or related projections change in the future,
we may be required to record impairment charges for these assets.

For purposes of performing the impairment test for goodwill as required by SFAS 142 we established the following reporting units: Cable Networks, Television Broadcasting, Radio, Studio Entertainment, Consumer Products and Parks and Resorts.

SFAS 142 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential goodwill impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value.

SFAS 142 requires the Company to compare the fair value of an indefinite-lived intangible asset to its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized. Fair values for goodwill and other indefinite-lived intangible assets are determined based on discounted cash flows, market multiples or appraised values as appropriate.

To determine the fair value of our reporting units, we generally use a present value technique (discounted cash flow) corroborated by market multiples when available and as appropriate, for all of the reporting units except for the Television Network which is included in the Television Broadcasting Group. The Television Broadcasting reporting unit includes the Television Network and the owned and operated television stations. These businesses have been grouped together because their respective cash flows are dependent on one another. For purposes of our impairment test, we used a revenue multiple to value the Television Network. We did not use a present value technique or a market multiple approach to value the Television Network as a present value technique would not capture the full fair value of the Television Network and there is little comparable market data available due to the scarcity of television networks. We applied what we believe to be the most appropriate valuation methodology for each of the reporting units. If we had established different reporting units or utilized different valuation methodologies, the impairment test results could differ.

Long-lived assets include certain long-term investments. The fair value of the long-term investments is dependent on the performance of the investee companies, as well as volatility inherent in the external markets for these investments. In assessing potential impairment for these investments, we consider these factors as well as forecasted financial performance of our investees. If these forecasts are not met, impairment charges may be required.

Contingencies and Litigation We are currently involved in certain legal proceedings and, as required, have accrued estimates of the probable costs for the resolution of these claims. These estimates have been developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. See Note 13 to the Consolidated Financial Statements for more detailed information on litigation exposure.

Income Tax Audits As a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. From time to time, these audits result in proposed assessments. During the fourth quarter of fiscal 2004, the Company reached a settlement with the Internal Revenue Service regarding all assessments proposed with respect to the Company's federal income tax returns for 1993 through 1995. This settlement resulted in the Company releasing \$120 million in tax reserves which are no longer required with respect to these matters. This release of reserves is reflected in the current year income tax provision. During the fourth quarter of fiscal 2003, the Company resolved certain state income tax audit issues and the corresponding release of \$56 million of related tax reserves is reflected in the 2003 income tax provision.

ACCOUNTING CHANGES

FIN 46R In December 2003, the FASB issued FIN 46R which was generally effective as of March 31, 2004. Variable interest entities (VIEs) are primarily entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes.

The Company has minority equity interests in certain entities, including Euro Disney S.C.A. (Euro Disney) and Hongkong International Theme Parks Limited (Hong Kong Disneyland). In connection with the adoption of FIN 46R, the Company concluded that Euro Disney and Hong Kong Disneyland are VIEs and that we are the primary beneficiary. Pursuant to the transition provisions of FIN 46R, the Company began consolidating Euro Disney and Hong Kong Disneyland's balance sheets on March 31, 2004, the end of the Company's second quarter of fiscal year 2004 and the income and cash flow statements beginning April 1, 2004, the beginning of the third quarter of fiscal year 2004. Under FIN 46R transition rules, the operating results of Euro Disney and Hong Kong Disneyland continued to be accounted for on the equity method for the six month period ended March 31, 2004.

We have concluded that the rest of our equity investments do not require consolidation as either they are not VIEs, or in the event that they are VIEs, we are not the primary beneficiary. The Company also has variable interests in certain other VIEs that will not be consolidated because the Company is not the primary beneficiary. These VIEs do not involve any material exposure to the Company.

The following table presents the condensed consolidating balance sheet of the Company, reflecting the impact of consolidating the balance sheets of Euro Disney and Hong Kong Disneyland as of September 30, 2004.

	Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney, Hong Kong Disneyland and Adjustments	Total
Cash and cash equivalent	s \$ 1,730	\$ 312	\$ 2,042
Other current assets	7,103	224	7,327
Total current assets	8,833	536	9,369
Investments	1,991	(699)	1,292
Fixed assets	12,529	3,953	16,482
Intangible assets	2,815		2,815
Goodwill	16,966		16,966
Other assets	6,843	135	6,978
Total assets	\$49,977	\$3,925	\$53,902
Current portion of borrowings ⁽¹⁾ Other current liabilities	\$ 1,872 6,349	\$2,221 617	\$ 4,093 6,966
Total current liabilities	8,221	2,838	11,059
Borrowings	8,850	545	9,395
Deferred income taxes	2,950	_	2,950
Other long term liabilities		225	3,619
Minority interests	487	311	798
Shareholders' equity	26,075	6	26,081
Total liabilities and shareholders' equity	\$49,977	\$3,925	\$53,902

(1) All of Euro Disney's borrowings of \$2.2 billion are classified as current as they are subject to acceleration if certain requirements of the Memorandum of Agreement (MOA) are not achieved as part of the current restructuring process (see Note 4 to the Consolidated Financial Statements).

The following table presents the condensed consolidating income statement of the Company for the year ended September 30, 2004, reflecting the impact of consolidating the income statements of Euro Disney and Hong Kong Disneyland beginning April 1, 2004⁽¹⁾.

	Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney, Hong Kong Disneyland and Adjustments	Total
Revenues	\$ 30,037	\$ 715	\$ 30,752
Cost and expenses	(26,053)	(651)	(26,704)
Restructuring and impair charges	ment (64)		(64)
Net interest expense	(575)	(42)	(617)
Equity in the income of investees	398	(26)	372
Income before income ta and minority interests Income taxes Minority interests	3,743 (1,199) (199)	(4) 2 2	3,739 (1,197) (197)
Net income	\$ 2,345	\$ —	\$ 2,345

(1) As discussed above, under FIN 46R transition rules, the operating results of Euro Disney and Hong Kong Disneyland continued to be accounted for on the equity method for the six month period ended March 31, 2004.

The following table presents the condensed consolidating cash flow statement of the Company for the year ended September 30, 2004, reflecting the impact of consolidating the cash flow statements of Euro Disney and Hong Kong Disneyland beginning April 1, 2004.

	Before Euro Disney and Hong Kong Disneyland	Euro Disney, Hong Kong Disneyland and	Total
	Consolidation	Adjustments(1)	
Cash provided by operation Investments in parks, reso		\$ 87	\$ 4,370
and other property	(1,138)	(289)	(1,427)
Free cash flow	3,145	(202)	2,943
Other investing activities Cash provided (used) by	(107)	50	(57)
financing activities	(2,891)	190	(2,701)
Increase in cash and cash equivalents	147	38	185
Cash and cash equivalent beginning of period	1,583	274	1,857
Cash and cash equivalent end of period	\$ 1,730	\$ 312	\$ 2,042

(i) Includes cash flows of Euro Disney and Hong Kong Disneyland for the six months ended September 30, 2004.

FSP 106-2 In May 2004, the FASB issued FASB Staff Position No. 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (FSP 106-2) in response to a new law regarding prescription drug benefits under Medicare as well as a federal subsidy to sponsors of retiree healthcare benefit plans. We expect that the impact of this act will not be material.

EITF 00-21 The Company adopted Emerging Issues Task Force (EITF) No. 00-21, Revenue Arrangements with Multiple Deliverables (EITF 00-21), effective October 1, 2002, in the fiscal fourth quarter of 2003. EITF 00-21 addresses revenue recognition for revenues derived from a single contract that contains multiple products or services. The rule provides additional requirements to determine when such revenues may be recorded separately for accounting purposes. Historically, the Company had recognized the NFL broadcast portion of ESPN's affiliate revenue when the NFL games were aired, as ESPN's affiliate contracts provided a basis for allocating such revenue between NFL and non-NFL programming. Since the cost of the NFL rights had also been recognized as the games were aired, the Company recognized both the NFL revenues and NFL costs in the quarters the games were aired.

Under EITF 00-21's requirements for separating the revenue elements of a single contract, the Company no longer allocates ESPN's affiliate revenue between NFL and non-NFL programming for accounting purposes. As a consequence, the Company no longer matches all NFL revenue with NFL costs as ESPN affiliate revenue (including the NFL portion) is generally recognized ratably throughout the year, while NFL contract costs continue to be recognized in the quarters the games are aired. This accounting change impacts only the timing of revenue recognition and has no impact on cash flow. As a result of this change, the Media Networks segment reports significantly reduced revenue and profitability in the first fiscal quarter when the majority of the NFL games are aired, with commensurately increased revenues and profits in the second and third fiscal quarters.

The Company elected to adopt this new accounting rule using the cumulative effect approach. In the fiscal fourth quarter of 2003, the Company recorded an after-tax charge of \$71 million for the cumulative effect of a change in accounting as of the beginning of fiscal year 2003. This amount represented the revenue recorded for NFL games in the fourth quarter of fiscal year 2002, which would have been recorded ratably over fiscal 2003 under the new accounting method.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. We may from time to time make written or oral statements that are "forward-looking," including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to our shareholders. Such statements may, for example, express expectations or projections about future actions that we may take, including restructuring or strategic initiatives or about developments beyond our control including changes in domestic or global economic conditions. These statements are made on the basis of management's views and assumptions as of the time the statements are made and we undertake no obligation to update these statements. There can be no assurance, however, that our expectations will necessarily come to pass.

Factors that may affect forward-looking statements. For an enterprise as large and complex as the Company, a wide range of factors could materially affect future developments and performance. Significant factors affecting specific business operations are identified in connection with the description of these operations and the financial results of these operations elsewhere in this report. General factors affecting our operations include:

Changes in Company-wide or business-unit strategies, which may result in changes in the types or mix of businesses in which the Company is involved or will invest;

Changes in U.S., global or regional economic conditions, which may affect attendance and spending at the Company's parks and resorts, purchases of Company-licensed consumer products, the advertising market for broadcast and cable television programming and the performance of the Company's theatrical and home entertainment releases:

Changes in U.S. and global financial and equity markets, including market disruptions and significant interest rate fluctuations, which may impede the Company's access to, or increase the cost of, external financing for its operations and investments;

Changes in cost of providing pension and other postretirement medical benefits, including changes in health care costs, investment returns on plan assets, and discount rates used to calculate pension and related liabilities;

Increased competitive pressures, both domestically and internationally, which may, among other things, affect the performance of the Company's parks and resorts operations, divert consumers from our creative or other products, or to other products or other forms of entertainment, or lead to increased expenses in such areas as television programming acquisition and motion picture production and marketing;

Legal and regulatory developments that may affect particular business units, such as regulatory actions affecting environmental activities, consumer products, theme park safety, broadcasting or Internet activities or the protection of intellectual property; the imposition by foreign countries of trade restrictions or motion picture or television content requirements or quotas, and changes in domestic or international tax laws or currency controls;

Adverse weather conditions or natural disasters, such as hurricanes and earthquakes, which may, among other things, affect performance at the Company's parks and resorts;

Technological developments that may affect the distribution of the Company's creative products or create new risks to the Company's ability to protect its intellectual property;

Labor disputes, which may lead to increased costs or disruption of operations in any of the Company's business units;

Changing public and consumer tastes and preferences, which may, among other things, affect the Company's entertainment, broadcasting and consumer products businesses generally or the Company's parks and resorts operations specifically, or result in lower broadcasting ratings or loss of advertising revenue;

Changes in or termination of long-term contracts for the acquisition or distribution of media programming or products, which may impact the availability of programming or product, the cost of acquired content, the ability to distribute content, or the revenue recognized from the distribution of content; and

International, political, health concerns and military developments that may affect among other things, travel and leisure businesses generally or the Company's parks and resorts operations specifically, or result in increases in broadcasting costs or loss of advertising revenue.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the impact of interest rate changes, foreign currency fluctuations and changes in the market values of its investments.

POLICIES AND PROCEDURES

In the normal course of business, we employ established policies and procedures to manage the Company's exposure to changes in interest rates, foreign currencies and the fair market value of certain investments in debt and equity securities using a variety of financial instruments.

Our objectives in managing exposure to interest rate changes are to limit the impact of interest rate volatility on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we primarily use interest rate swaps to manage net exposure to interest rate changes related to the Company's portfolio of borrowings. By policy, the Company maintains fixed-rate debt as a percentage of its net debt between a minimum and maximum percentage.

Our objective in managing exposure to foreign currency fluctuations is to reduce earnings and cash flow volatility in order to allow management to focus on core business issues and challenges. Accordingly, the Company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency assets, liabilities, commitments and forecasted foreign currency revenues. The Company utilizes option strategies and forward contracts that provide for the sale of foreign currencies to hedge probable, but not firmly committed, transactions. The Company also uses forward contracts to hedge foreign currency assets and liabilities. The principal foreign currencies hedged are the Euro, British pound, Japanese yen and Canadian dollar. Cross-currency swaps are used to effectively convert foreign currency denominated borrowings to U.S. dollar denominated borrowings. By policy, the Company maintains hedge coverage between minimum and maximum percentages of its forecasted foreign exchange exposures generally for periods not to exceed five years. The gains and losses on these contracts offset changes in the value of the related exposures.

It is the Company's policy to enter into foreign currency and interest rate derivative transactions and other financial instruments only to the extent considered necessary to meet its objectives as stated above. The Company does not enter into these transactions for speculative purposes.

VALUE AT RISK (VAR)

The Company utilizes a VAR model to estimate the maximum potential one-day loss in the fair value of its interest rate, foreign exchange and market sensitive equity financial instruments. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. Various modeling techniques can be used in a VAR computation. The Company's computations are based on the interrelationships between movements in various interest rates, currencies and equity prices (a variance/co-variance technique). These interrelationships were determined by observing interest rate, foreign currency and equity market changes over the preceding quarter for the calculation of VAR amounts at September 30, 2004. The model includes all of the Company's debt as well as all interest rate and foreign exchange derivative contracts and market sensitive equity investments. The values of foreign exchange options do not change on a one-to-one basis with the underlying currencies, as exchange rates vary. Therefore, the hedge coverage assumed to be obtained from each option has been adjusted to reflect its respective sensitivity to changes in currency values. Forecasted transactions, firm commitments and receivables and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VAR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by the Company, nor does it consider the potential effect of favorable changes in market factors.

VAR on a combined basis decreased from \$51 million at September 30, 2003 to \$31 million at September 30, 2004. The majority of the decrease is due to increased correlation benefits and lower market value of interest rate sensitive instruments.

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, is as follows (unaudited, in millions):

(in millions)	Interest Rate Sensitive Financial Instruments	Currency Sensitive Financial Instruments	Equity Sensitive Financial Instruments	Combined Portfolio
VAR as of	622	¢17	\$0	¢21
September 30, 2004 Average VAR during the year ended	\$33	. \$17	\$0	\$31
September 30, 2004 Highest VAR during the year ended	\$38	\$19	\$1	. \$39
September 30, 2004 Lowest VAR during the year ended	\$45	\$27	\$1	\$48
September 30, 2004	\$33	\$12	\$0	\$31
VAR as of September 30, 2003	\$57	\$18	\$1	\$51

The VAR for Euro Disney and Hong Kong Disneyland is immaterial as of September 30, 2004. In calculating the VAR it was determined that credit risks are the primary driver for changes in the value of Euro Disney's debt rather than interest rate risks. Accordingly, we have excluded Euro Disney's borrowings from the VAR calculation.

CONSOLIDATED STATEMENTS OF INCOME

	Y	ear Ended September	r 30,
(in millions, except per share data)	2004	2003	2002
Revenues	\$ 30,752	\$ 27,061	\$ 25,329
Costs and expenses	(26,704)	(24,348)	(22,945)
Gain on sale of business		16	34
Net interest expense	(617)	(793)	(453)
Equity in the income of investees	372	334	225
Restructuring and impairment charges	(64)	(16)	-
Income before income taxes, minority interests and the cumulative effect of accounting change Income taxes Minority interests	3,739 (1,197) (197)	2,254 (789) (127)	2,190 (853) (101)
Income before the cumulative effect of accounting change Cumulative effect of accounting change	2,345	1,338 (71)	1,236
Net income	\$ 2,345	\$ 1,267	\$ 1,236
Earnings per share before the cumulative effect of accounting change: Diluted	\$ 1.12	\$ 0.65	\$ 0.60
Basic	\$ 1.14	\$ 0.65	\$ 0.61
Cumulative effect of accounting change per share	\$ —	\$ (0.03)	\$ —
Earnings per share: Diluted	\$ 1.12	\$ 0.62	\$ 0.60
Basic	\$ 1.14	\$ 0.62	\$ 0.61
Average number of common and common equivalent shares outstanding: Diluted	2,106	2,067	2,044
Basic	2,049	2,043	2,040

CONSOLIDATED BALANCE SHEETS

	Septemb	per 30,
(in millions, except per share data)	2004	2003
Assets		
Current assets		
Cash and cash equivalents	\$ 2,042	\$ 1,583
Receivables	4,558	4,238
Inventories	775	703
Television costs	484	568
Deferred income taxes	772	674
Other current assets	738	548
Total current assets		
	9,369	8,314
Film and television costs	5,938	6,205
Investments	1,292	1,849
Parks, resorts and other property, at cost		
Attractions, buildings and equipment	25,168	19,499
Accumulated depreciation	(11,665)	(8,794
	13,503	10,705
Projects in progress	1,852	1,076
Land	1,127	897
	16,482	12,678
	10,402	12,070
Intangible assets, net	2,815	2,786
Goodwill	16,966	16,966
Other assets	1,040	1,190
Outer assets		
	\$ 53,902	\$49,988
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and other accrued liabilities	\$ 5,623	\$ 5,044
Current portion of borrowings	4,093	2,457
Unearned royalties and other advances	1,343	1,168
Total current liabilities	11,059	8,669
Borrowings	9,395	10,643
	2,950	2,712
Deferred income taxes		3,745
Other long-term liabilities	3,619	
Minority interests	798	428
Commitments and contingencies (Note 13)	_	
Shareholders' equity		
Preferred stock, \$.01 par value		
Authorized – 100 million shares, Issued – none	_	
Common stock		
Common stock – Disney, \$.01 par value		
Authorized – 3.6 billion shares,		
Issued – 2.1 billion shares	12,447	12,154
Common stock – Internet Group, \$.01 par value		
Authorized – 1.0 billion shares, Issued – none	_	***************************************
Retained earnings	15,732	13,817
Accumulated other comprehensive loss	(236)	(653
	27,943	25,318
Treasury stock, at cost, 101.6 million shares at September 30, 2004 and	,-	,- 10
86.7 million shares at September 30, 2003	(1,862)	(1,527
	26,081	23,791
	\$ 53,902	\$49,988
	φ 339,702	Ψ+2,200

CONSOLIDATED STATEMENTS OF CASH FLOWS

		ar Ended September	
(in millions)	2004	2003	2002
Operating Activities			
Net income	\$ 2,345	\$ 1,267	\$ 1,236
Depreciation	1,198	1,059	1,021
Amortization of intangible assets	12	18	21
Deferred income taxes	(98)	441	327
Equity in the income of investees	(372)	(334)	(225
Cash distributions received from equity investees	408	340	234
Minority interests	197	127	101
Change in film and television costs	460	(369)	(97
Gain on sale of business		(16)	(34
Gain on sale of Knight-Ridder, Inc. shares		-	(216
Restructuring and impairment charges	52	13	
Write-off of aircraft leveraged lease	16	114	
Other	203	(23)	(55
Other			
	2,076	1,370	1,077
Changes in working capital			
Receivables	(115)	(194)	(535
Inventories	(40)	(6)	(35
Other current assets	(89)	(28)	(86
Accounts payable and other accrued liabilities	237	275	225
Television costs	(44)	217	404
	(51)	264	(27
Cash provided by operations	4,370	2,901	2,286
Investing Activities			
Investments in parks, resorts and other property	(1,427)	(1,049)	(1,086
Acquisitions (net of cash acquired)	(48)	(130)	(2,845
Dispositions (not of easil acquired)	-	166	200
Proceeds from sale of investments	14	40	601
Purchases of investments	(67)	(14)	(9
Other	44	(47)	(37
Cash used by investing activities	(1,484)	(1,034)	(3,176
Financing Activities	484	4.60.5	4.000
Borrowings	176	1,635	4,038
Reduction of borrowings	(2,479)	(2,059)	(2,113
Commercial paper borrowings, net	100	(721)	(33
Dividends	(430)	(429)	(428
Exercise of stock options and other	201	51	47
Repurchases of common stock	(335)	_	
Hong Kong Disneyland minority interest capital contributions	66		
Cash (used) provided by financing activities	(2,701)	(1,523)	1,511
Increase in cash and cash equivalents	185	344	621
Cash and cash equivalents due to the initial consolidation of Euro Disney and			
Hong Kong Disneyland	274	-	
Cash and cash equivalents, beginning of year	1,583	1,239	618
Cash and cash equivalents, end of year	\$ 2,042	\$ 1,583	\$ 1,239
Supplemental disclosure of cash flow information:			
Interest paid	\$ 624	\$ 705	\$ 674
Income taxes paid	\$ 1,349	\$ 371	\$ 447
			200

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions, except per share data)	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss) ⁽¹⁾	Treasury Stock	TWDC Stock Compensation Fund	Total Shareholders' Equity
Balance at September 30, 2001	2,038	\$12,096	\$12,171	\$ 10	\$(1,395)	\$(210)	\$22,672
Exercise of stock options	3	. 11			-	49	60
Dividends (\$0.21 per share) Other comprehensive loss	_	and the same of th	(428)	_		_	(428)
(net of tax of \$56 million)	-			(95)			(95)
Net income		_	1,236	Member	_	_	1,236
Balance at September 30, 2002 Exercise of stock options and issuance of	2,041	12,107	12,979	(85)	(1,395)	(161)	23,445
restricted stock	3	47	_		29	-	76
Dividends (\$0.21 per share) Expiration of the TWDC stock		_	(429)		_		(429)
compensation fund Other comprehensive loss (net of	_			_	(161)	161	_
tax of \$334 million)		_		(568)	_	_	(568)
Net income		_	1,267			MARKET STREET	1,267
Balance at September 30, 2003 Exercise of stock options and issuance of	2,044	12,154	13,817	(653)	(1,527)	_	23,791
restricted stock	11	293	_			_	293
Common stock repurchases	(15)	_			(335)	March March March	(335)
Dividends (\$0.21 per share) Other comprehensive income (net of	_		(430)	_	_	_	(430)
tax of \$245 million)		_	_	417	_	_	417
Net income			2,345				2,345
Balance at September 30, 2004	2,040	\$12,447	\$15,732	\$(236)	\$(1,862)	\$ —	\$26,081

(i) Accumulated other comprehensive loss at September 30, 2004 and 2003 is as follows:

2003
\$(108)
63
(608)
\$(653)

Comprehensive income is as follows:

	2004	2003	2002
Net income	\$2,345	\$1,267	\$1,236
Market value adjustments for			
investments and hedges,			
net of tax	47	(77)	(101)
Foreign currency translation,			
net of tax	23	73	50
Additional minimum pension			
liability adjustment, net of			
tax, decrease/(increase)			
(See Note 8)	347	(564)	(44)
Comprehensive income	\$2,762	\$ 699	\$1,141

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(TABULAR DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

NOTE 1. DESCRIPTION OF THE BUSINESS AND SEGMENT INFORMATION

The Walt Disney Company, together with the subsidiaries through which the Company's businesses are conducted (the Company), is a diversified worldwide entertainment company with operations in the following business segments: Media Networks, Parks and Resorts, Studio Entertainment and Consumer Products.

DESCRIPTION OF THE BUSINESS

MEDIA NETWORKS

The Company operates the ABC Television Network and ten owned television stations and the ABC Radio Networks and 71 owned radio stations. Both the television and radio networks have affiliated stations providing coverage to households throughout the United States. Most of the owned television and radio stations are affiliated with either the ABC Television Network or the ABC Radio Networks. The Company's cable/satellite and international broadcast operations are principally involved in the production and distribution of cable television programming, the licensing of programming to domestic and international markets and investing in foreign television broadcasting, production and distribution entities. Primary cable/satellite programming services, which operate through consolidated subsidiary companies, are the ESPN-branded networks, Disney Channel, International Disney Channel, SOAPnet, Toon Disney, ABC Family Channel and JETIX channels in Europe and Latin America. Other programming services that operate through joint ventures, and are accounted for under the equity method, include A&E Television Networks, Lifetime Entertainment Services and E! Entertainment Television. The Company also produces original television programming for network, first-run syndication, pay and international syndication markets along with original animated television programming for network, pay and international syndication markets. Additionally, the Company operates ABC-, ESPN-, and Disney-branded Internet web site businesses.

PARKS AND RESORTS

The Company owns and operates the Walt Disney World Resort in Florida and the Disneyland Resort in California. The Walt Disney World Resort includes four theme parks (the Magic Kingdom, Epcot, Disney-MGM Studios and Disney's Animal Kingdom), seventeen resort hotels, a retail, dining and entertainment complex, a sports complex, conference centers, campgrounds, golf courses, water parks and other recreational facilities. In addition, Disney Cruise Line is operated out of Port Canaveral, Florida. The Disneyland Resort includes two theme parks (Disneyland and Disney's California Adventure), three resort hotels and Downtown Disney. The Company earns royalties on revenues generated by the Tokyo Disneyland Resort, which includes two theme parks and two Disney-branded hotels, near Tokyo, Japan, and is owned and operated by an unrelated Japanese corporation. The Company manages and has a 41% equity investment in Euro Disney S.C.A. (Euro Disney), a publicly held French entity that operates Disneyland Resort Paris, which includes the Disneyland Park, the Walt Disney Studios Park, seven themed hotels, two convention centers, the Disney Village, a shopping, dining and entertainment center and a 27 hole golf facility. The Company also manages and has a 43% equity interest in Hong Kong Disneyland which is under construction and is scheduled to open in fiscal 2005. During fiscal 2004, the Company began consolidating Euro Disney and Hong Kong Disneyland (see Note 2). The Company's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions, as well as resort properties. The Company also manages and markets vacation ownership interests through the Disney Vacation Club. Included in Parks and Resorts is the Company's NHL franchise, the Mighty Ducks of Anaheim and ESPN Zone which operates sports-themed dining and entertainment facilities.

STUDIO ENTERTAINMENT

The Company produces and acquires live-action and animated motion pictures for worldwide distribution to the theatrical, home entertainment and television markets. The Company distributes these products through its own distribution and marketing companies in the United States and most foreign markets primarily under the Walt Disney Pictures, Touchstone Pictures, Miramax and Dimension banners. The Company also produces stage plays and musical recordings.

CONSUMER PRODUCTS

The Company licenses the name "Walt Disney," as well as the Company's characters and visual and literary properties, to various manufacturers, retailers, show promoters and publishers throughout the world. The Company also engages in direct retail distribution principally through the Disney Stores. The Company produces books and magazines for the general public, computer software products for the entertainment market, as well as film, video and computer software products for the educational marketplace. The Company's Direct Marketing business operates the Disney Catalog, which markets Disney-themed merchandise through the direct mail channel. Catalog offerings include merchandise developed exclusively for the Disney Catalog and DisneyDirect.com, which is an internet shopping site, as well as other internal Disney businesses and Disney licensees.

SEGMENT INFORMATION

The operating segments reported below are the segments of the Company for which separate financial information is available and for which operating results are evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance.

Segment operating results evaluated include earnings before corporate and unallocated shared expenses, amortization of intangible assets, gain on sale of business, net interest expense, equity in the income of investees, restructuring and impairment charges, income taxes, minority interests and the cumulative effect of accounting change. Corporate and unallocated shared expenses principally consist of corporate functions, executive management and certain unallocated administrative support functions.

The following segment results include allocations of certain costs, including certain information technology costs, pension, legal and other shared services, which are allocated based on various metrics designed to correlate with consumption. In addition, while all significant intersegment transactions have been eliminated, Studio Entertainment revenues and operating income include an allocation of Consumer Products revenues, which is meant to reflect a portion of Consumer Products revenues attributable to certain film properties created by the studio. These allocations are agreed-upon amounts between the businesses and may differ from amounts that would be negotiated in an arm's-length transaction.

	2004	2003	2002
Revenues			
Media Networks	\$11,778	\$10,941	\$ 9,733
Parks and Resorts	7,750	6,412	6,465
Studio Entertainment			
Third parties	8,637	7,312	6,622
Intersegment	76	52	69
	8,713	7,364	6,691
Consumer Products			
Third parties	2,587	2,396	2,509
Intersegment	(76)	(52)	(69)
	2,511	2,344	2,440
Total consolidated revenues	\$30,752	\$27,061	\$25,329
	φυσ,/σ2	φ27,001	420,02 3
Segment operating income			
Media Networks	\$ 2,169	\$ 1,213	\$ 986
Parks and Resorts	1,123	957	1,169
Studio Entertainment	662	620	273
Consumer Products	534	384	394
Total segment operating			
income	\$ 4,488	\$ 3,174	\$ 2,822
Reconciliation of segment operating			
income to income before income			
taxes, minority interests and the			
cumulative effect of accounting			
change			
Segment operating income	\$ 4,488	\$ 3,174	\$ 2,822
Corporate and unallocated	, -,		
shared expenses	(428)	(443)	(417)
Amortization of intangible assets	(12)	(18)	(21)
Gain on sale of business	(12)	16	34
Net interest expense	(617)	(793)	(453)
*	372	334	225
Equity in the income of investees	312	334	223
Restructuring and impairment	(64)	(16)	
charges	(64)	(16)	
Income before income taxes,			
minority interests and the			
cumulative effect of	d 2 #20	¢ 2.254	¢ 2 100
accounting change	\$ 3,739	\$ 2,254	\$ 2,190
Capital expenditures			
Media Networks	\$ 221	\$ 203	\$ 151
Parks and Resorts			
Domestic	719	577	636
International ⁽¹⁾	289	_	
Studio Entertainment	39	49	37
Consumer Products	14	44	58
Corporate	145	176	204
Total consolidated capital			
expenditures	\$ 1,427	\$ 1,049	\$ 1,086
^	4 1,127	4 2,0 13	
Depreciation expense			
Media Networks	\$ 172	\$ 169	\$ 180
Parks and Resorts			
Domestic	710	681	648
International ⁽¹⁾	95	_	_
Studio Entertainment	22	39	46
Consumer Products	44	63	58
Corporate	155	107	89
*	100	107	
Total consolidated	¢ 1 100	¢ 1.050	¢ 1.001
depreciation expense	\$ 1,198	\$ 1,059	\$ 1,021

	2004	2003	2002
Identifiable assets			
Media Networks(2)(3)	\$26,193	\$25,883	
Parks and Resorts(2)	15,221	11,067	
Studio Entertainment	6,954	7,832	
Consumer Products	1,037	966	
Corporate ⁽⁴⁾	4,497	4,240	
Total consolidated assets	\$53,902	\$49,988	
Supplemental revenue data			
Media Networks			
Advertising	\$ 6,611	\$ 6,319	\$ 5,566
Affiliate Fees	4,408	3,682	3,294
Parks and Resorts			
Merchandise, food and			
beverage	2,429	1,987	1,987
Admissions	2,547	1,887	1,819
Revenues			
United States and Canada	\$24,012	\$22,124	\$20,770
Europe	4,721	3,171	2,724
Asia Pacific	1,547	1,331	1,325
Latin America and Other	472	435	510
	\$30,752	\$27,061	\$25,329
Segment operating income			
United States and Canada	\$ 2,934	\$ 2,113	\$ 1,739
Europe	892	591	499
Asia Pacific	566	518	545
Latin America and Other	96	(48)	39
	\$ 4,488	\$ 3,174	\$ 2,822
Identifiable assets			
United States and Canada	\$46,788	\$47,177	
Europe	5,370	2,200	
Asia Pacific	1,622	484	
Latin America and Other	122	127	
	\$53,902	\$49,988	

[&]quot;Represents 100% of Euro Disney and Hong Kong Disneyland's capital expenditures and depreciation expense beginning April 1, 2004. Hong Kong Disneyland's capital expenditures totaled \$251 million and were partially funded by minority interest partner contributions totaling \$66 million.

© Identifiable assets include amounts associated with equity method investments, including notes and other receivables, as follows:

Media Networks \$951 \$898

Media Networks \$951 \$898
Parks and Resorts — 623

(3) Includes goodwill and other intangible assets totaling \$19,341 in 2004 and \$19,344 in 2003.

(4) Primarily deferred tax assets, investments, fixed and other assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements of the Company include the accounts of The Walt Disney Company and its subsidiaries after elimination of intercompany accounts and transactions. In December 1999, DVD Financing, Inc. (DFI), a subsidiary of Disney Vacation Development, Inc. and an indirect subsidiary of the Company, completed a receivable sale transaction. In connection with this sale, DFI prepares separate financial statements, although its separate assets and liabilities are also consolidated in these financial statements.

Accounting Changes

FIN 46R In December 2003, FASB issued FIN 46R which was generally effective as of March 31, 2004. Variable interest entities (VIEs) are primarily entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose

equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes.

The Company has minority equity interests in certain entities, including Euro Disney S.C.A. (Euro Disney) and Hongkong International Theme Parks Limited (Hong Kong Disneyland). In connection with the adoption of FIN 46R, the Company concluded that Euro Disney and Hong Kong Disneyland are VIEs and that we are the primary beneficiary. Pursuant to the transition provisions of FIN 46R, the Company began consolidating Euro Disney and Hong Kong Disneyland's balance sheets on March 31, 2004, the end of the Company's second quarter of fiscal year 2004 and the income and cash flow statements beginning April 1, 2004, the beginning of the third quarter of fiscal year 2004. Under FIN 46R transition rules, the operating results of Euro Disney and Hong Kong Disneyland continued to be accounted for on the equity method for the six month period ended March 31, 2004. See Note 4 for the impact of consolidating the balance sheets, income statement and cash flow statements of Euro Disney and Hong Kong Disneyland.

We have concluded that the rest of our equity investments do not require consolidation as either they are not VIEs, or in the event that they are VIEs, we are not the primary beneficiary. The Company also has variable interests in certain other VIEs that will not be consolidated because the Company is not the primary beneficiary. These VIEs do not involve any material exposure to the Company.

FSP 106-2 In May 2004, the FASB issued FASB Staff Position No. 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (FSP 106-2) in response to a new law regarding prescription drug benefits under Medicare as well as a federal subsidy to sponsors of retiree healthcare benefit plans. We expect that the impact of this act will not be material.

EITF 00-21 The Company adopted Emerging Issues Task Force (EITF) No. 00-21, Revenue Arrangements with Multiple Deliverables (EITF 00-21), effective October 1, 2002, in the fiscal fourth quarter of 2003. EITF 00-21 addresses revenue recognition for revenues derived from a single contract that contains multiple products or services. The rule provides additional requirements to determine when such revenues may be recorded separately for accounting purposes. Historically, the Company had recognized the NFL broadcast portion of ESPN's affiliate revenue when the NFL games were aired, as ESPN's affiliate contracts provided a basis for allocating such revenue between NFL and non-NFL programming. Since the cost of the NFL rights had also been recognized as the games were aired, the Company recognized both the NFL revenues and NFL costs in the quarters the games were aired.

Under EITF 00-21's requirements for separating the revenue elements of a single contract, the Company no longer allocates ESPN's affiliate revenue between NFL and non-NFL programming for accounting purposes. As a consequence, the Company will no longer match all NFL revenue with NFL costs as ESPN affiliate revenue (including the NFL portion) is generally recognized ratably throughout the year, while NFL contract costs continue to be recognized in the quarters the games are aired. This accounting change impacts only the timing of revenue recognition and has no impact on cash flow.

The Company elected to adopt this new accounting rule using the cumulative effect approach. In the fiscal fourth quarter of 2003, the Company recorded an after-tax charge of \$71 million for the cumulative effect of a change in accounting as of the beginning of fiscal year 2003. This amount represented the revenue recorded for NFL games in the fourth quarter of fiscal year 2002, which would have been recorded ratably over fiscal 2003 under the new accounting method.

Results for fiscal 2003 were restated to reflect the impact of EITF 00-21 as of October 1, 2002.

The following table provides a reconciliation of reported net earnings to adjusted earnings had EITF 00-21 been followed in fiscal year 2002:

Amount	Diluted Earnings per share
\$1,236	\$ 0.60
(46)	(0.02)
\$1,190	\$ 0.58
	\$1,236 (46)

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ from those estimates.

Revenue Recognition Broadcast advertising revenues are recognized when commercials are aired. Revenues from television subscription services related to the Company's primary cable programming services are recognized as services are provided. Certain of the Company's contracts with cable service providers include annual programming commitments. In these cases, revenue subject to the commitment is deferred until the annual commitments are satisfied which generally results in revenue shifting from the first half of the year to the second.

Revenues from advance theme park ticket sales are recognized when the tickets are used. Revenues from corporate sponsors at the theme parks are generally recognized over the period of the applicable agreements commencing with the opening of the related attraction.

Revenues from the theatrical distribution of motion pictures are recognized when motion pictures are exhibited. Revenues from video sales are recognized on the date that video units are made widely available for sale by retailers. Revenues from the licensing of feature films and television programming are recorded when the material is available for telecasting by the licensee and when certain other conditions are met.

Merchandise licensing advance and guarantee payments are recognized when the underlying royalties are earned.

Advertising Expense Advertising costs are expensed as incurred. Advertising expense incurred for the years ended September 30, 2004, 2003, and 2002 totaled \$3.0 billion, \$2.5 billion and \$2.3 billion, respectively.

Cash and Cash Equivalents Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Investments Debt securities that the Company has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and reported at amortized cost. Debt securities not classified as held-to-maturity and marketable equity securities are classified as either "trading" or "available-for-sale," and are recorded at fair value with unrealized gains and losses included in earnings or shareholders' equity, respectively. All other equity securities are accounted for using either the cost method or the equity method.

The Company continually reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the security is written down to fair value and the amount of the write-down is included in the Consolidated Statements of Income.

Translation Policy The U.S. dollar is the predominant functional currency for the majority of our international operations. The local currency is the functional currency for Euro Disney, Hong Kong Disneyland and international locations of the Disney Stores.

For U.S. dollar functional currency locations, foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for property, plant and equipment, other assets and deferred revenue, which are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to the previously noted balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in net earnings.

For the local currency functional locations, assets and liabilities are translated at end-of-period rates while revenues and expenses are translated at average rates in effect during the period. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive income (AOCI).

Inventories Carrying amounts of merchandise, materials and supplies inventories are generally determined on a moving average cost basis and are stated at the lower of cost or market.

Film and Television Costs Film and television costs include capitalizable direct negative costs, production overhead, interest, development costs and acquired production costs and are stated at the lower of cost, less accumulated amortization, or fair value. Acquired programming costs for the Company's television and cable/satellite networks are stated at the lower of cost, less accumulated amortization, or net realizable value. Acquired television broadcast program licenses and rights are recorded when the license period begins and the program is available for use. Marketing, distribution, and general and administrative costs are expensed as incurred.

Film and television production and participation costs are expensed based on the ratio of the current period's gross revenues to estimated remaining total gross revenues from all sources on an individual production basis. Television network series costs and multiyear sports rights are charged to expense based on the ratio of the current period's gross revenues to estimated remaining total gross revenues from such programs or on a straight-line basis, as appropriate. Estimated remaining gross revenue for film productions includes revenue that will be earned within ten years of the date of the initial theatrical release. For television network series, we include revenues that will be earned within 10 years of the delivery of the first episode, or if still in production, five years from the date of delivery of the most recent episode. For acquired film libraries, remaining revenues include amounts to be earned for up to 20 years from the date of acquisition. Television network and station rights for theatrical movies and other long-form programming are charged to expense primarily on an accelerated basis related to the projected usage of the programs. Development costs for projects that have been determined will not go into production or have not been set for production within three years are written-off.

Estimates of total gross revenues can change significantly due to a variety of factors, including advertising rates and the level of market acceptance of the production. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted, if necessary. Such adjustments could have a material effect on results of operations in future periods. The net realizable value of network television broadcast program licenses and rights is reviewed using a daypart methodology. A daypart is defined as an aggregation of programs broadcast during a particular time of day or programs of a similar type. The Company's dayparts are early morning, daytime, late night, primetime, news, children and sports (sports includes network and cable). The net realizable values of other cable programming are reviewed on an aggregated basis for each cable channel.

Capitalized Software Costs The Company expenses costs incurred in the preliminary project stage of developing or acquiring internal use software, such as research and feasibility studies, as well as costs incurred in the post-implementation/operational stage, such as maintenance and training. Capitalization of software development costs occurs only after the preliminary project stage is complete, management authorizes the project, and it is probable that the project will be completed and the software will be used for the function intended. As of September 30, 2004 and 2003, capitalized software costs totaled \$433 million and \$240 million, respectively. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software, which ranges from 2-10 years.

Parks, Resorts and Other Property Parks, resorts and other property are carried at historical cost. Depreciation is computed on the straight-line method over estimated useful lives as follows:

Attractions	25 – 40 years
Buildings and improvements	40 years
Leasehold improvements	Life of lease or asset life if less
Land improvements	25 – 40 years
Furniture, fixtures and equipment	2-10 years

Goodwill and Other Intangible Assets The Company performs an annual impairment test at fiscal year end for goodwill and other indefinite-lived intangible assets, which include FCC licenses and trademarks. Goodwill is allocated to various reporting units, which are either the operating segment or one reporting level below the operating segment. For purposes of performing the impairment test for goodwill as required by SFAS 142, we established the following reporting units: Cable Networks, Television Broadcasting, Radio, Studio Entertainment, Consumer Products and Parks and Resorts.

SFAS 142 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential goodwill impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value.

SFAS 142 requires the Company to compare the fair value of an indefinite-lived intangible asset to its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized. Fair values for goodwill and other indefinite-lived intangible assets are determined based on discounted cash flows, market multiples or appraised values as appropriate.

To determine the fair value of our reporting units, we generally use a present value technique (discounted cash flow) corroborated by market multiples when available and as appropriate, for all of the reporting units except for the Television Network which is included in the Television Broadcasting Group. The Television Broadcasting reporting unit includes the Television Network and the owned and operated television stations. These businesses have been grouped together because their respective cash flows are dependent on one another. For purposes of our impairment test, we used a revenue multiple to value the Television Network. We did not use a present value technique or a market multiple approach to value the Television Network as a present value technique would not capture the full fair value of the Television Network and there is little comparable market data available due to the scarcity of television networks. We applied what we believe to be the most appropriate valuation methodology for each of the reporting units.

If we had established different reporting units or utilized different valuation methodologies, the impairment test results could differ.

Amortizable intangible assets are amortized on a straight-line basis over estimated useful lives as follows:

Copyrights

10 - 31 years

Risk Management Contracts In the normal course of business, the Company employs a variety of financial instruments to manage its exposure to fluctuations in interest rates, foreign currency exchange rates and investments in equity and debt securities, including interest rate and cross-currency swap agreements; forward, option and "swaption" contracts and interest rate caps.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. There are two types of derivatives into which the Company enters: hedges of fair value exposure and hedges of cash flow exposure. Hedges of fair value exposure are entered into in order to hedge the fair value of a recognized asset, liability, or a firm commitment. Hedges of cash flow exposure are entered into in order to hedge a forecasted transaction (e.g. forecasted revenue) or the variability of cash flows to be paid or received, related to a recognized liability or asset (e.g. floating rate debt).

The Company designates and assigns the financial instruments as hedges of forecasted transactions, specific assets, or specific liabilities. When hedged assets or liabilities are sold or extinguished or the forecasted transactions being hedged are no longer expected to occur, the Company recognizes the gain or loss on the designated hedging financial instruments.

Option premiums and unrealized losses on forward contracts and the accrued differential for interest rate and cross-currency swaps to be received under the agreements are recorded on the balance sheet as other assets. Unrealized gains on forward contracts and the accrued differential for interest rate and cross-currency swaps to be paid under the agreements are included in liabilities. Realized gains and losses from hedges are classified in the income statement consistent with the accounting treatment of the items being hedged. The Company accrues the differential for interest rate and cross-currency swaps to be paid or received under the agreements as interest rates and exchange rates change as adjustments to interest expense over the lives of the swaps. Gains and losses on the termination of effective swap agreements, prior to their original maturity, are deferred and amortized to interest expense over the remaining term of the underlying hedged transactions.

Cash flows from hedges are classified in the Consolidated Statements of Cash Flows under the same category as the cash flows from the related assets, liabilities or forecasted transactions (see Notes 6 and 12).

Earnings Per Share The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the year which is calculated using the treasury stock method for stock options and assumes conversion of the Company's convertible senior notes (see Note 6). Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. Stock options for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on EPS and, accordingly, are excluded from the calculation.

A reconciliation of net income and the weighted average number of common and common equivalent shares outstanding for calculating diluted earnings per share is as follows:

	Year Ended September 30,		
	2004	2003	2002
Income before the cumulative effect of accounting change	\$2,345	\$1,338	\$1,236
Interest expense on convertible senior notes (net of tax)	21	10	_
	\$2,366	\$1,348	\$1,236
Weighted average number of common shares outstanding			
(basic)	2,049	2,043	2,040
Weighted average dilutive stock options and restricted stock	12	3	4
Weighted average assumed conversion of convertible senior notes	45	21	<u></u>
Weighted average number of common and common equivalent shares outstanding (diluted)	2,106	2,067	2.044

For the years ended September 30, 2004, 2003 and 2002, options for 124 million, 184 million, and 156 million shares, respectively, were excluded from the diluted EPS calculation for common stock because they were anti-dilutive.

Stock Options The Company uses the intrinsic value method of accounting for stock-based awards granted to employees and, accordingly, does not recognize compensation expense for its stock-based awards in the Consolidated Statements of Income.

The following table reflects pro forma net income and earnings per share had the Company elected to adopt the fair value approach of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation:

Year Ended September 30,				
2004	2003	2002		
\$2,345	\$1,267	\$1,236		
(255)	(294)	(306)		
\$2,090	\$ 973	\$ 930		
\$ 1.12	\$ 0.62	\$ 0.60		
1.00	0.48	0.45		
\$ 1.14	\$ 0.62	\$ 0.61		
1.02	0.48	0.46		
	\$2,345 (255) \$2,090 \$ 1.12 1.00 \$ 1.14	2004 2003 \$2,345 \$1,267 (255) (294) \$2,090 \$ 973 \$ 1.12 \$ 0.62 1.00 0.48 \$ 1.14 \$ 0.62		

⁽¹⁾ Does not include restricted stock expense that is reported in net income. See Note 10.

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

Reclassifications Certain reclassifications have been made in the 2003 and 2002 financial statements to conform to the 2004 presentation.

NOTE 3. SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

On February 17, 2004, the Company acquired the film library and intellectual property rights for the Muppets and Bear in the Big Blue House for \$68 million. Substantially all of the purchase price was allocated to definite-lived identifiable intangible assets.

In fiscal 2003, the Company sold the Anaheim Angels baseball team, which resulted in a pre-tax gain of \$16 million. In fiscal 2002, the Company sold the Disney Store operations in Japan generating a pre-tax gain of \$34 million. These gains are reported in the line "Gain on sale of business" in the Consolidated Statements of Income.

On October 24, 2001, the Company acquired Fox Family Worldwide, Inc. (now called "ABC Family") for \$5.2 billion, which was funded with \$2.9 billion of new long-term borrowings plus the assumption of \$2.3 billion of long-term debt. Among the businesses acquired were the Fox Family Channel, which has been renamed ABC Family Channel, a programming service that currently reaches approximately 88 million cable and satellite television subscribers throughout the U.S.; a 75% interest in Fox Kids Europe, which has been renamed JETIX Europe and reaches more than 37 million subscribers across Europe; JETIX channels in Latin America, and the Saban library and entertainment production businesses.

The purchase price was allocated to the fair value of the acquired assets and liabilities and the excess purchase price of \$5.0 billion was recorded as goodwill and was assigned to the Cable Networks reporting unit within the Media Networks segment. None of this amount is expected to be deductible for tax purposes.

The Company's consolidated results of operations have incorporated ABC Family's activity on a consolidated basis from October 24, 2001, the date of acquisition. On an unaudited pro forma basis assuming the acquisition occurred on October 1, 2001, revenues for the year ended September 30, 2002 were \$25,360 million. Asreported and unaudited pro forma net income and earnings per share for fiscal 2002 were approximately the same. The unaudited pro forma information is not necessarily indicative of future results.

NOTE 4. INVESTMENTS

Investments consist of the following:

	2004	2003
Investments, at equity(1)	\$ 971	\$1,051
Investments, at cost ⁽²⁾	165	106
Investment in leveraged leases	156	175
Notes receivable and other investments	_	517
	\$1,292	\$1,849

⁽¹⁾ Equity investments consist of investments in affiliated companies over which the Company has significant influence but not the majority of the equity or risks and rewards.

Euro Disney and Hong Kong Disneyland The Company has a 41% interest in Euro Disney S.C.A., which operates the Disneyland Resort Paris and a 43% interest in Hongkong International Theme Park Limited, which is responsible for constructing and operating Hong Kong Disneyland. As of March 31, 2004, the Company began accounting for Euro Disney and Hong Kong Disneyland as consolidated subsidiaries pursuant to FIN 46R (See Note 2). The Company began consolidating the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004, and the income and cash flow statements beginning April 1, 2004.

The following table presents the condensed consolidating balance sheet of the Company, reflecting the impact of consolidating the balance sheets of Euro Disney and Hong Kong Disneyland as of September 30, 2004.

Disney Kong	efore Euro and Hong Disneyland nsolidation	Euro Disney, Hong Kong Disneyland and Adjustments	Total
Cash and cash equivalents	\$ 1,730	\$ 312	\$ 2,042
Other current assets	7,103	224	7,327
Total current assets	8,833	536	9,369
Investments	1,991	(699)	1,292
Fixed assets	12,529	3,953	16,482
Intangible assets	2,815	_	2,815
Goodwill	16,966	addisases	16,966
Other assets	6,843	135	6,978
Total assets	\$49,977	\$3,925	\$53,902
Current portion of borrowings(1)	\$ 1,872	\$2,221	\$ 4,093
Other current liabilities	6,349	617	6,966
Total current liabilities	8,221	2,838	11,059
Borrowings	8,850	545	9,395
Deferred income taxes	2,950		2,950
Other long term liabilities	3,394	225	3,619
Minority interests	487	311	798
Shareholders' equity	26,075	6	26,081
Total liabilities and shareholders' equity	\$49,977	\$3,925	\$53,902

⁽¹⁾ All of Euro Disney's borrowings of \$2.2 billion are classified as current as they are subject to acceleration if certain requirements of the MOA are not achieved as part of the current restructuring process as discussed below.

The following table presents the condensed consolidating income statement of the Company for the year ended September 30, 2004, reflecting the impact of consolidating the income statements of Euro Disney and Hong Kong Disneyland beginning April 1, 2004⁽¹⁾.

Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney, Hong Kong Disneyland and Adjustments	Total
\$ 30,037	\$ 715	\$ 30,752
(26,053)	(651)	(26,704)
ment		
(64)	-	(64)
(575)	(42)	(617)
398	(26)	372
ixes		
3,743	(4)	3,739
(1,199)	2	(1,197)
(199)	2	(197)
\$ 2,345	\$ —	\$ 2,345
	Disney and Hong Kong Disneyland Consolidation \$ 30,037 (26,053) rment (64) (575) 398 exes 3,743 (1,199) (199)	Disney and Hong Kong Disneyland and Adjustments \$ 30,037

⁽¹⁾Under FIN 46R transition rules, the operating results of Euro Disney and Hong Kong Disneyland are accounted for on the equity method for the six month period ended March 31, 2004.

The following table presents the condensed consolidating cash flow statement of the Company for the year ended September 30, 2004, reflecting the impact of consolidating the cash flow statements of Euro Disney and Hong Kong Disneyland beginning April 1, 2004.

⁽²⁾Cost investments consist of marketable securities classified as available-forsale and investments in companies over which the Company does not have significant influence and ownership of less than 20%.

	Before Euro isney and Hong ong Disneyland Consolidation	Euro Disney, Hong Kong Disneyland and Adjustments ⁽¹⁾	Total
Cash provided by operation	s \$ 4,283	\$ 87	\$ 4,370
Investments in parks, resort and other property	ts (1,138)	(289)	(1,427)
Other investing activities	(107)	50	(57)
Cash provided (used) by financing activities	(2,891)	190	(2,701)
Increase in cash and cash equivalents Cash and cash equivalents,	147	38	185
beginning of period	1,583	274	1,857
Cash and cash equivalents, end of period	\$ 1,730	\$ 312	\$ 2,042

⁽¹⁾Includes cash flow of Euro Disney and Hong Kong Disneyland for the six months ended September 30, 2004.

Euro Disney Financial Restructuring On September 28, 2004, Euro Disney announced that Euro Disney, the Company and Euro Disney's lenders finalized a Memorandum of Agreement ("MOA"), effective October 1, 2004, relating to the financial restructuring of Euro Disney and subsequently finalized the legal documentation called for by the MOA. The MOA provides for new financing as well as restructuring Euro Disney's existing financing. The key provisions of the MOA are as follows:

Royalties and Management Fees

- Royalties and management fees totaling €58 million for fiscal 2004 will be paid to the Company following completion of the rights offering discussed below
- Royalties and management fees for fiscal 2005 through fiscal 2009, totaling €25 million per year, payable to the Company will be converted into subordinated long-term borrowings
- Royalties and management fees for fiscal 2007 through fiscal 2014, of up to €25 million per year, payable to the Company will be converted into subordinated long-term borrowings if operating results do not achieve specified levels

Debt Covenants

- Certain covenant violations for fiscal 2003 and fiscal 2004 will be waived
- Euro Disney will receive authorization for up to €240 million of capital expenditures for fiscal 2005 through fiscal 2009 for new attractions

Existing Borrowings

- Approximately €110 million of amounts outstanding on the existing line of credit from the Company and €58 million of deferred interest payable to Caisse des Dépôts et Consignations ("CDC"), a French state financial institution, will be converted into long-term subordinated borrowings
- The interest rate on approximately €450 million of Euro Disney's senior borrowings will be increased by approximately 2%
- Approximately €300 million of principal payments on senior borrowings will be deferred for three and one half years
- Principal payments on certain CDC borrowings will be deferred for three and one half years
- Euro Disney's security deposit requirement will be eliminated and the existing deposit balance totaling €100 million will be paid to senior lenders as a principal payment
- Interest payments for fiscal 2005 through fiscal 2012, up to €20

- million per year, payable to the CDC will be converted to long-term subordinated borrowings if operating results do not achieve specified levels
- Interest payments for fiscal 2013 through fiscal 2014, up to €23
 million per year, payable to the CDC will be converted to long-term
 subordinated borrowings if operating results do not achieve specified levels

New Financing

- €250 million equity rights offering, to which the Company has committed to subscribe for at least €100 million with the remainder to be underwritten by a group of financial institutions
- New ten-year €150 million line of credit from the Company for liquidity needs, which reduces to €100 million after five years

Any subordinated long-term borrowings due to the Company and CDC cannot be paid until all senior borrowings have been paid.

The MOA additionally provides for the contribution by Euro Disney of substantially all of its assets and liabilities (including most of the proceeds of the equity rights offerings referred to above) into Euro Disney Associés S.C.A. ("Disney SCA") which will become an 82% owned subsidiary of Euro Disney. Other wholly-owned subsidiaries of the Company will retain the remaining 18% ownership interest. This will enable Euro Disney to avoid having to make €292 million of payments to Disney SCA that would be due if Euro Disney exercised the options under certain leases from Disney SCA. As a result of this contribution, the Company will increase its overall effective ownership interest in Euro Disney's operations from 41% to 52%. Pursuant to the MOA, the Company must maintain at least a direct 39% ownership investment in Euro Disney through December 31, 2016.

The implementation of the MOA remains subject to certain conditions including: approval of the reorganization by the Shareholders (which the Company has agreed to vote in favor of) and the completion of the equity rights offering (referred to above) by March 31, 2005. Once implemented, the Restructuring will provide Euro Disney with significant liquidity, including protective measures intended to mitigate the adverse impact of business volatility as well as capital to invest in new rides and attractions. If the equity rights offering does not occur by March 31, 2005, the parties will have 30 days to negotiate a new arrangement. If the negotiations do not succeed, most of the provisions of the MOA will become null and void, and Euro Disney's debt will become due or subject to acceleration, and absent a further debt covenant waiver or new agreement, Euro Disney would be unable to pay certain of its debt obligations.

As discussed above, the MOA will result in the elimination of certain sublease arrangements between the Company's whollyowned subsidiary, Disney SCA and Euro Disney. These subleases arose in connection with a financial restructuring of Euro Disney in 1994 whereby Disney SCA (which was then in the form of a SNC) entered into a lease agreement with a financing company with a non-cancelable term of 12 years related to substantially all of the Disneyland Park assets, and then entered into a 12-year sublease agreement with Euro Disney on substantially the same payment terms. Remaining lease rentals at September 30, 2004 of approximately \$385 million receivable from Euro Disney under the sublease approximate the amounts payable by Disney SCA under the lease. These lease transactions are currently eliminated upon consolidation of Euro Disney by the Company as a result of the implementation of FIN 46R. If the restructuring does not occur as planned above, at the conclusion of the sublease term in 2006, Euro Disney would have the option of assuming Disney SCA's rights and obligations under the lease for a payment of \$97 million over the ensuing 15 months. If Euro Disney did not exercise its option, Disney SCA would be able to purchase the assets, continue to lease the assets or elect to terminate the lease. In the event that the lease was terminated, Disney SCA would be obligated to make a termination payment to the lessor equal to 75% of the lessor's then outstanding debt related to the Disneyland Park

assets, which payment would be approximately \$1.4 billion. Disney SCA would then have the right to sell or lease the assets on behalf of the lessor to satisfy the remaining debt, with any excess proceeds payable to Disney SCA.

See Note 6 for the terms of Euro Disney's borrowings.

Euro Disney had revenues and net loss of \$575 million and \$122 million, respectively, for the six months ended March 31, 2004 while the Company still accounted for its investment on the equity method. Euro Disney had revenues and net loss of \$1,077 million and \$56 million, respectively, for the year ended September 30, 2003. For the year ended September 30, 2002, Euro Disney had revenues and net loss of \$909 million and \$57 million, respectively. Total assets and total liabilities of Euro Disney were \$3,373 million and \$3,304 million at September 30, 2003.

Other Equity Investments In addition to the Company's investments in Euro Disney and Hong Kong Disneyland, the Company has other equity investments, primarily comprised of cable investments such as A&E Television Networks (37.5% owned), Lifetime Entertainment Services (50% owned) and E! Entertainment Television (39.6% owned).

A summary of combined financial information for the other equity investments is as follows:

2004	2003	2002
\$3,893	\$3,453	\$3,111
\$1,017	\$ 826	\$ 635
\$2,025	\$1,839	
1,167	1,163	
\$3,192	\$3,002	
\$ 902	\$ 846	
727	603	
1,563	1,553	
\$3,192	\$3,002	
	\$3,893 \$1,017 \$2,025 1,167 \$3,192 \$ 902 727 1,563	\$3,893 \$3,453 \$1,017 \$ 826 \$2,025 \$1,839 1,167 1,163 \$3,192 \$3,002 \$ 902 \$ 846 727 603 1,563 1,553

Cost Investments As of September 30, 2004 and 2003, the Company held \$60 million and \$17 million, respectively, of securities classified as available-for-sale. As of September 30, 2004 and 2003, the Company also held \$105 million and \$89 million, respectively, of non-publicly traded cost method investments. Realized gains and losses are determined principally on an average cost basis. In 2004, 2003 and 2002, the Company recognized \$2 million, \$8 million and \$239 million, respectively, in net gains on sales of securities. Included in fiscal 2002 is a \$216 million gain on the sale of the remaining shares of Knight Ridder stock that the Company had received in connection with the disposition of certain publishing operations that had been acquired in connection with the acquisition of ABC.

In 2004, 2003 and 2002, the Company recorded non-cash charges of \$23 million, \$23 million and \$2 million, respectively, to reflect other-than-temporary losses in value of certain investments.

Investment in Leveraged Leases During the fourth quarter of 2004, the Company recorded a \$16 million pre-tax charge to write down its leveraged lease investment in Delta. During the first quarter of fiscal 2003, the Company wrote off its aircraft leveraged lease investment with United Airlines, which filed for bankruptcy protection, resulting in a pre-tax charge of \$114 million, or \$0.04 per share. Based on the bankruptcy filing, we believe it is unlikely that the Company will recover this investment. The pre-tax charge of \$114 million for the write-off is reported in "Net interest expense" in the Consolidated Statements of Income. As of September 30, 2004, our remaining

aircraft leveraged lease investment totaled approximately \$156 million, consisting of \$101 million and \$55 million, with Delta and FedEx, respectively. Given the current status of the airline industry, we continue to monitor the recoverability of these investments, particularly the Delta leases. Delta has disclosed that if it is unsuccessful in reducing its operating expenses and continues to experience significant losses, it will need to seek to restructure its costs under Chapter 11 of the U.S. Bankruptcy code. Although Delta remains current on their lease payments to us, the inability of Delta to make their lease payments, or the termination of our lease through a bankruptcy proceeding, could result in a material charge for the write-down of our investment and could accelerate certain income tax payments.

NOTE 5. FILM AND TELEVISION COSTS

Film and Television costs are as follows:

	2004	2003
Theatrical film costs		
Released, less amortization	\$2,319	\$2,359
Completed, not released	633	856
In-process	1,000	1,236
In development or pre-production	130	113
	4,082	4,564
Television costs		
Released, less amortization	893	961
Completed, not released	175	126
In-process	292	283
In development or pre-production	24	. 11
	1,384	1,381
Television broadcast rights	956	828
	6,422	6,773
Less current portion	484	568
Non-current portion	\$5,938	\$6,205

Based on management's total gross revenue estimates as of September 30, 2004, approximately 42% of completed and unamortized film and television costs (excluding amounts allocated to acquired film and television libraries) are expected to be amortized during fiscal 2005. Approximately 73% of unamortized film and television costs for released productions (excluding acquired film libraries) are expected to be amortized during the next three years. By September 30, 2008, approximately 80% of the total released and unamortized film and television costs are expected to be amortized. As of September 30, 2004, the Company estimated that approximately \$530 million of accrued participation and residual liabilities will be payable in fiscal year 2005.

At September 30, 2004, acquired film and television libraries have remaining unamortized film costs of \$447 million which are generally amortized straight-line over a remaining period of approximately 5-15 years.

The following table provides detail of film and television spending and amortization:

	2004	2003	2002
Gross film and television spending	\$(2,364)	\$(2,915)	\$(2,315)
Film and television cost amortization	2,824	2,546	2,218
Net investment in film and television costs	\$ 460	\$ (369)	\$ (97)

NOTE 6. BORROWINGS

The Company's borrowings at September 30, 2004 and 2003, including the impact of interest rate swaps designated as hedges as of September 30, 2004, are summarized below:

				2004			
			Stated	Interest ra Cross-Curre		Effective	
	2004	2003	Interest Rate ⁽¹⁾	Pay Variable	Pay Fixed	Interest Rate ⁽³⁾	Swap Maturities
Commercial paper	\$ 100	\$ —	1.78%	\$ —	\$100	4.37%	2005
U.S. medium-term notes	6,624	8,114	6.32%	710		5.09%	2006-2022
Convertible senior notes	1,323	1,323	2.13%			2.13%	
Other U.S. dollar denominated debt	305	597	7.00%			7.00%	
Privately placed debt	254	343	7.02%	254		3.49%	2007
European medium-term notes	1,099	1,519	1.81%	1,099		2.31%	2004-2007
Preferred stock	373	485	9.00%			9.00%	2004
Capital Cities/ABC debt	189	191	9.07%	_		8.84%	
Other ⁽⁴⁾	455	528			_		-
	10,722	13,100	5.21%	2,063	100	4.43%	
Euro Disney (ED) and Hong Kong Disneyland (HKDL):							
ED – CDC loans	1,119	_	5.15%		_	5.15%	
ED - Credit facilities & other	608		3.08%		74	3.24%	2004
ED – Other advances	494	-	3.01%			3.01%	
HKDL - Senior and subordinated loans	545	-	2.91%		135	3.03%	2005
	2,766		3.87%		209	3.93%	
Total borrowings	13,488	13,100	4.93%	2,063	309	4.39%	
Less current portion(5)	4,093	2,457		832	174		
Total long-term borrowings	\$ 9,395	\$10,643		\$1,231	\$135		

The stated interest rate represents the weighted-average coupon rate for each category of borrowings. For floating rate borrowings, interest rates are based upon the rates at September 30, 2004; these rates are not necessarily an indication of future interest and cross currency rates.

Commercial Paper The Company currently maintains U.S. and European commercial paper programs with a combined program size of \$4.5 billion. As of September 30, 2004, the Company had established bank facilities totaling \$4.5 billion to support commercial paper borrowings, with half of the facilities scheduled to expire in February 2005 and the other half in February 2009. Under the bank facilities, the Company has the option to borrow at LIBOR-based rates plus a spread depending on the Company's senior unsecured debt rating. The Company's bank facilities contain only one financial covenant, relating to interest coverage, which the Company met on September 30, 2004 by a significant margin. The Company's bank facilities also specifically exclude certain entities, including Euro Disney and Hong Kong Disneyland, from any representations, covenants or events of default. As of September 30, 2004, the Company had not borrowed against the facilities. The Company also has the ability to issue up to \$500 million of letters of credit under the facility expiring in 2009, which if utilized, reduces available borrowing under this facility. As of September 30, 2004, \$205 million of letters of credit had been issued under this facility and \$2.045 billion was available for borrowing. At September 30, 2004, \$100 million of commercial paper debt was outstanding.

\$7.5 Billion Shelf Registration Statement In August 2001, the Company filed a U.S. shelf registration statement with the Securities and Exchange Commission (SEC) that allows the Company to issue

from time to time up to \$7.5 billion of securities, including debt securities, preferred stock, common stock, depository shares, warrants and purchase contracts. At September 30, 2004, \$3.1 billion of debt had been issued under the Company's U.S. medium-term note program (described below) and \$2.6 billion of debt had been issued under other U.S. dollar denominated debt programs of which \$1.0 billion has been repaid to date (also described below). The remaining unused capacity under the shelf registration is \$1.8 billion. Our ability to issue debt is subject to market conditions and other factors impacting our borrowing capacity.

U.S. Medium-Term Note Program In September 2001, the Company established a \$6.5 billion U.S. medium-term note program under the U.S. shelf registration statement described above for the issuance of various types of debt instruments, such as fixed or floating rate notes, U.S. dollar or foreign currency denominated notes, redeemable notes, global notes and dual currency or other indexed notes. In total, the Company has issued \$3.1 billion under the current program. The remaining capacity under the program may be further reduced from time to time to the extent that the Company issues securities outside of the existing U.S. medium-term note program but under the current shelf registration statement. At September 30, 2004, the total debt outstanding under the current and prior U.S. medium-term note programs was \$6.624 billion. The maturities of current outstanding borrowings range from 1 to 89 years and stated interest rates range from 0.86% to 7.55%.

⁽²⁾ Amounts represent notional values of interest rate and cross-currency swaps.

⁽b) The effective interest rate includes only the impact of interest rate and cross-currency swaps on the stated rate of interest. Other adjustments to the stated interest rate such as purchase accounting adjustments and debt issuance costs did not have a material impact on the overall effective interest rate.

⁽⁶⁾ Includes market value adjustments for current and non-current debt with qualifying hedges totaling \$369 million and \$471 million at September 30, 2004 and 2003, respectively.

⁽⁵⁾ All of Euro Disney's borrowings of \$2.2 billion are classified as current as they are subject to acceleration if certain requirements of the MOA are not achieved as part of the current restructuring process (see Note 4).

Other U.S. Dollar Denominated Debt From time to time, the Company may issue bonds or notes, under the existing shelf registration statement but separately from the U.S. medium-term note program. Through September 30, 2004, \$2.6 billion of other U.S. denominated debt has been issued under the \$7.5 billion shelf registration. At September 30, 2004, \$1.6 billion of total debt is outstanding from these offerings. The offerings are comprised of \$305 million of quarterly interest bonds (QUIBS), and \$1.3 billion of convertible senior notes (described below). The maturities of these outstanding borrowings range from 19 to 27 years and the stated interest rates range from 2.15% to 7.0%.

Convertible Senior Notes In April 2003, the Company issued \$1.3 billion of convertible senior notes due on April 15, 2023. The notes bear interest at a fixed annual rate of 2.125% and are redeemable at the Company's option any time after April 15, 2008 at par. The notes are redeemable at the investor's option at par on April 15, 2008, April 15, 2013 and April 15, 2018, and upon the occurrence of certain fundamental changes, such as a change in control. The notes are convertible into common stock, under certain circumstances, at an initial conversion rate of 33.9443 shares of common stock per \$1,000 principal amount of notes. This is equivalent to an initial conversion price of \$29.46. The conversion rate is subject to adjustment if certain events occur, such as the payment of a common stock dividend, the issuance of rights or warrants to all holders of the Company's common stock that allow the holders to purchase shares of the Company's common stock during a specified period of time, and subdivision, combinations or certain reclassifications of the Company's common stock.

Privately Placed Debt In 1996, the Company raised \$850 million of privately placed financing. The notes pay 7.02% interest per annum and amortize semi-annually. The outstanding principal as of September 30, 2004 was \$254 million.

European Medium-Term Note Program In July 2002, the Company renewed its European medium-term note program for the issuance of various types of debt instruments such as fixed or floating rate notes, U.S. dollar or foreign currency denominated notes, redeemable notes, index linked and dual currency notes. At such time, the program size was increased from \$3.0 billion to \$4.0 billion. In 2004, no new debt was issued under the program. The remaining capacity under the program is \$2.9 billion, subject to market conditions and other factors impacting our borrowing capacity. The remaining capacity under the program replenishes as outstanding debt under the program matures. At September 30, 2004, the total debt outstanding under the program was \$1.1 billion. The maturities of current outstanding borrowings range from 1 to 3 years and stated interest rates range from 0.72% to 6.26%. The Company has outstanding borrowings under the program denominated in U.S. dollars, Hong Kong dollars, Singapore dollars and Japanese yen.

Preferred Stock As a result of the ABC Family acquisition in October 2001, the Company assumed Series A Preferred Stock with a 9% coupon and quarterly dividend payments valued at approximately \$400 million with an effective cost of capital of 5.25%. The Series A Preferred Stock is callable starting August 1, 2007 and matures August 1, 2027. The Series A Preferred Stock is classified as borrowings given its substantive similarity to debt instruments. At September 30, 2004, the total balance outstanding was \$373 million.

In July 1999, a subsidiary of the Company issued \$102 million of Auction Market Preferred Stock (AMPS). These are perpetual, noncumulative, non-redeemable instruments. Quarterly distributions, if declared, are at the rate of 5.427% per annum, for the first five years. In July 2004, the AMPS were repurchased by the Company.

Capital Cities/ABC Debt As a result of the Capital Cities/ABC, Inc. acquisition in 1996, the Company assumed various debt previously

issued by Capital Cities/ABC, Inc. At September 30, 2004, the outstanding balance was \$189 million with maturities ranging from 5 to 17 years and stated interest rates ranging from 8.75% to 9.65%.

Euro Disney and Hong Kong Disneyland Borrowings The following is a summary of the key terms of Euro Disney and Hong Kong Disneyland borrowings which have been included in our consolidated balance sheet as a result of the implementation of FIN 46R.

Euro Disney – CDC loans. Pursuant to Euro Disney's original financing and the terms of a 1994 financial restructuring, Euro Disney borrowed funds from the Caisse des Dépôts et Consignations ("CDC"), a French state bank. As of September 30, 2004, these borrowings consisted of approximately €128 million (\$156 million at September 30, 2004 exchange rates) of senior debt and €403 million (\$495 million at September 30, 2004 exchange rates) of subordinated debt. The senior debt is secured by certain fixed assets of Disneyland Resort Paris and the underlying land, whereas the subordinated debt is unsecured. The loans originally bore interest at a fixed rate of 7.85%; however, effective September 30, 1999, the terms of these loans were modified so as to reduce the fixed interest rate to 5.15%, defer principal repayments and extend the final maturity date from fiscal year 2015 to fiscal year 2024.

Euro Disney also executed a credit agreement with CDC to finance a portion of the construction costs of Walt Disney Studios Park. As of September 30, 2004, approximately €381 million (\$468 million at September 30, 2004 exchange rates) of subordinated loans were outstanding under this agreement. The loans bear interest at a fixed rate of 5.15% per annum, unless interest or principal payments are deferred under the provisions of the loans, during which time the interest rate on the deferred amounts is the greater of 5.15% or EURIBOR plus 2.0%. The loans will mature between fiscal years 2015 and 2028.

Euro Disney - Credit facilities and other. Pursuant to Euro Disney's original financing with a syndicate of international banks and the terms of a 1994 financial restructuring, Euro Disney borrowed funds which are secured by certain fixed assets of Disneyland Resort Paris and the underlying land thereof. The loans bear interest at EURIBOR plus margins with rates ranging from 2.55% to 8.25% at September 30, 2004. The loans mature between fiscal years 2008 and 2012.

Euro Disney – Other advances. Advances of €383 million (\$471 million at September 30, 2004 exchange rates) bear interest at a fixed rate of 3.0%. The remaining advances of €19 million (\$23 million at September 30, 2004 exchange rates) bear interest at EURIBOR plus 1.125% (3.28% at September 30, 2004). The advances are scheduled to mature between fiscal years 2014 and 2017. \$23 million of the advances are secured by certain theme park assets.

Certain of Euro Disney's borrowing agreements include covenants, which primarily consist of restrictions on additional indebtedness and capital expenditures, the provision of certain financial information and compliance with certain financial ratio thresholds.

Certain of Euro Disney's borrowings arose in connection with a lease arrangement that was entered into in connection with a financial restructuring of Euro Disney in 1994. See Note 4 for further discussion of this lease arrangement.

As previously stated, all of Euro Disney's borrowings totaling \$2.2 billion are classified as current as they are subject to acceleration if certain requirements of the MOA are not achieved as part of the current restructuring process.

Hong Kong Disneyland – Senior loans. Hong Kong Disneyland's senior loans are borrowings pursuant to a term loan facility of HK\$2.3 billion (\$295 million at September 30, 2004 exchange rates) and a revolving credit facility of HK\$1.0 billion (\$128 million at September 30, 2004 exchange rates). The balance of the senior loans as of September 30, 2004 was HK\$1.1 billion (\$143 million at September 30, 2004 exchange rates). The term loan facility can be drawn down until 6 months after the theme park opening day (scheduled for late fiscal year 2005) with re-payments to begin approximately three years after the theme park opening day. As of September 30, 2004, up to 25% of the revolving credit facility is available to be drawn down.

The remaining 75% is unavailable until the earlier of i) the theme park opening or ii) all other senior and subordinated debt facilities and equity funding have been fully utilized and there is sufficient liquidity available to accommodate working capital requirements. Both facilities are secured by the assets of the Hong Kong Disneyland theme park, currently carry a rate of 3 month HIBOR + 1.0% and are scheduled to mature in fiscal 2016. The spread above HIBOR is 1.0% through November 15, 2005, 1.25% for the next five years and 1.375% for the last five years of the facilities. As of September 30, 2004, the rate on the Senior loans was 1.82%.

Hong Kong Disneyland – Subordinated loans. Hong Kong Disneyland has a subordinated unsecured loan facility of HK\$5.6 billion (\$720 million at September 30, 2004 exchange rates) that is scheduled to mature 25 years after the theme park opening day. The balance drawn on the subordinated unsecured loan facility as of September 30, 2004 was HK \$3.1 billion (\$402 million at September 30, 2004 exchange rates). Interest rates under this loan are subject to biannual revisions (up or down) under certain conditions, but capped at an annual rate of 6.75% (until eight and one half years after opening day), 7.625% (for the next eight years) and 8.50% (over the last eight and one half years).

Total borrowings excluding market value adjustments, have the following scheduled maturities:

	Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney and Hong Kong Disneyland ⁽¹⁾	Total
2005	\$ 1,732	\$ 102	\$ 1,834
2006	1,514	95	1,609
2007	1,762	116	1,878
2008	61	133	194
2009	486	117	603
Thereafter	4,798	2,203	7,001
	\$10,353	\$2,766	\$13,119

⁽¹⁾Maturities of Euro Disney's borrowings are included based on the contractual terms.

The Company capitalizes interest on assets constructed for its parks, resorts and other property and on theatrical and television productions. In 2004, 2003 and 2002, total interest capitalized was \$35 million, \$33 million and \$36 million, respectively.

NOTE 7. INCOME TAXES

	2004	2003	2002
Income Before Income Taxes, Minority Interests and the Cumulative Effect of			
Accounting Change Domestic (including U.S. exports)	\$ 3,279	\$ 1,802	¢1 022
Foreign subsidiaries	460	452	\$1,832 358
Foreign subsidiaries			
	\$ 3,739	\$ 2,254	\$2,190
Income Tax (Benefit) Provision Current			
Federal	\$ 835	\$ (55)	\$ 137
State	90	39	55
Foreign (including withholding)	350	317	257
	1,275	301	449
Deferred			
Federal	(103)	448	372
State	25	40	32
	(78)	488	404
	\$1,197	\$ 789	\$ 853

	2004	2003	2002
Components of Deferred Tax Assets and Liabilities			
Deferred tax assets			
Accrued liabilities	\$(1,412)	\$(1,255)	
Foreign subsidiaries	(842)	(269)	
Retirement benefits	(22)	(193)	
Loss and credit carryforwards	(30)	(80)	
Other, net		(17)	
Total deferred tax assets	(2,306)	(1,814)	
Deferred tax liabilities Depreciable, amortizable and			
other property	3,818	3,036	
Licensing revenues	214	132	
Leveraged leases	261	312	
Investment in Euro Disney		298	
Other, net	117		
Total deferred tax liabilities	4,410	3,778	
Net deferred tax liability before valuation allowance Valuation allowance	2,104 74	1,964 74	
Net deferred tax liability	\$ 2,178	\$ 2,038	
Reconciliation of Effective Income Tax Rate			
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	2.0	2.3	2.6
Dispositions	_	0.4	_
Impact of audit settlements	(3.2)	(2.5)	_
Foreign sales corporation and extraterritorial income	(2.6)	(3.1)	(3.1)
Other, including tax reserves			
and related interest	0.8	2.9	4.4
	32.0%	35.0%	38.9%

Deferred tax assets at September 30, 2004 and 2003 were reduced by a valuation allowance relating to a portion of the tax benefits attributable to certain net operating losses (NOLs) reflected on state tax returns of Infoseek and its subsidiaries for periods prior to the Infoseek acquisition on November 18, 1999 where applicable state laws limit the utilization of such NOLs. In addition, deferred tax assets at September 30, 2004 and 2003 were reduced by a valuation allowance relating to a portion of the tax benefits attributable to certain NOLs reflected on tax returns of ABC Family Worldwide, Inc. and its subsidiaries for periods prior to the ABC Family acquisition on October 24, 2001 (see Note 3). Since the valuation allowances associated with both acquisitions relate to acquired deferred tax assets, the subsequent realization of these tax benefits would result in adjustments to the allowance amount being applied as reductions to goodwill. In addition, at September 30, 2004, approximately \$42 million of other acquired NOL carryforwards from the acquisition of ABC Family are available to offset future taxable income through the year 2022.

In 2004, 2003, and 2002, income tax benefits attributable to employee stock option transactions of \$25 million, \$5 million and \$8 million, respectively, were allocated to shareholders' equity.

In 2004 the Company derived tax benefits of \$97 million from an exclusion provided under U.S. income tax laws with respect to certain extraterritorial income attributable to foreign trading gross receipts ("FTGRs"). This exclusion was repealed as part of the American Jobs Creation Act of 2004 (the "Act"), which was enacted on October 22, 2004. The Act provides for a phase-out such that the exclusion for the Company's otherwise qualifying FTGRs generated in fiscal 2005, 2006 and 2007 will be limited to approximately 85%, 65% and 15%, respectively. No exclusion will be available in fiscal years 2008 and thereafter.

The Act makes a number of other changes to the income tax laws which will affect the Company in future years, the most significant of which is a new deduction for qualifying domestic production activities. The impact of this and other changes made by the Act cannot be quantified at this time.

As a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. From time to time, these audits result in proposed assessments. During the fourth quarter of fiscal 2004, the Company reached a settlement with the Internal Revenue Service regarding all assessments proposed with respect to the Company's federal income tax returns for 1993 through 1995. This settlement resulted in the Company releasing \$120 million in tax reserves which are no longer required with respect to these matters. This release of reserves is reflected in the current year income tax provision. During the fourth quarter of fiscal 2003, the Company resolved certain state income tax audit issues and the corresponding release of \$56 million of related tax reserves is reflected in the 2003 income tax provision.

NOTE 8. PENSION AND OTHER BENEFIT PROGRAMS

The Company maintains pension plans and postretirement medical benefit plans covering most of its domestic employees not covered by union or industry-wide plans. Employees hired after January 1,1994 and ABC employees generally hired after January 1,1987 are not eligible for postretirement medical benefits. With respect to its qualified defined benefit pension plans, the Company's policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974. Pension benefits are generally based on years of service and/or compensation. The following chart summarizes the balance sheet impact, as well as the benefit obligations, assets, funded status and rate assumptions associated with the pension and postretirement medical benefit plans.

		Pensio	n P	lans			irement al Plans	
		2004		2003		2004		2003
Reconciliation of funded								
status of the plans and the								
amounts included in the								
Company's Consolidated								
Balance Sheets:								
Projected benefit obligations	φ.	2 = 4=	φ.	(2,000)	Φ.	4.025	Φ.	(600
Beginning obligations	\$((3,747)	\$((2,889)	\$(1,035)	\$	(680)
Service cost		(150)		(115)		(35)		(23)
Interest cost Plan amendments		(216)		(204)		(60)		(48)
Actuarial gain/ (loss)		224		(651)		152		(302)
Benefits paid		120		112		24		18
Ending obligations	\$1	3,769)	\$1	(3,747)	\$	(954)	\$1	1,035
	φ(3,709)	Φ(3,747)	φ	(334)	9(1,055
Fair value of plans' assets								
Beginning fair value		2,655	\$	2,660	\$	197	\$	199
Actual return on plan assets	,	465		96		24		5
Employer contributions		155		26		18		11
Benefits paid Expenses		(120)		(112)		(24)		(18)
	_	(16)		(15)				
Ending fair value	\$	3,139	\$	2,655	\$	215	\$	197
Funded status of the plans	\$	(630)	\$(1,092)	\$	(739)	\$	(838)
Unrecognized net loss		697		1,231		307		535
Unrecognized prior								
service cost (benefit)		21		23		(18)		(20)
Contributions after								
measurement date	_	2	_	6				
Net balance sheet impact	\$	90	\$	168	\$	(450)	\$	(323)
Amounts recognized in the								
balance sheet consist of								
Prepaid benefit cost	\$	69	\$	42	\$	-	\$	17
Accrued benefit liability		(394)		(843)		(450)		(340)
Additional minimum								
pension liability		4.5 -		0.60				
adjustment		415		969				
	\$	90	\$	168	\$	(450)	\$	(323)

The components of net periodic benefit cost are as follows:

	Pe	nsion Plar	18	10.	stretireme edical Plar	
	2004	2003	2002	2004	2003	2002
Service costs	\$ 149	\$ 114	\$ 97	\$ 35	\$ 23	\$ 22
Interest costs	216	204	157	60	48	43
Expected return on plan assets Amortization of	(215)	(262)	(241)	(15)	(19)	(21)
prior year service costs	2	2	1	(1)	(1)	1
Recognized net actuarial loss	77	(1)		66	23	12
Net periodic benefit cost	\$ 229	\$ 57	\$ 14	\$145	\$ 74	\$57
Assumptions:						
Discount rate	6.30%	5.85%	7.20%	6.30%	5.85%	7.20%
Rate of return on						
plan assets	7.50%	7.50%	8.50%	7.50%	7.50%	8.50%
Salary increases	4.00%	3.75%	4.65%	n/a	n/a	n/a
Year 1 increase in cost of						
benefits	n/a	n/a	n/a	10.00%	10.00%	10.00%

Net periodic benefit cost for the current year is based on assumptions from the prior year.

PLAN FUNDED STATUS

As a result of pension plan asset performance below expected returns in fiscal 2002 and 2003 and a reduction in the discount rate over the last two years, a number of the Company's pension plans were underfunded at September 30, 2004, having accumulated benefit obligations exceeding the fair value of plan assets. For these plans, the fair value of plan assets aggregated \$2.4 billion, the accumulated benefit obligations aggregated \$2.8 billion and the projected benefit obligations aggregated \$3.0 billion. As a result, the Company has recorded additional minimum pension liability adjustments of \$415 million and \$969 million as of September 30, 2004 and September 30, 2003, respectively. The decrease in the additional minimum pension liability adjustment of \$554 million in the current year was primarily due to an increase in the discount rate from 5.85% at September 30, 2003 to 6.30% at September 30, 2004 and improved plan asset performance. This decrease resulted in an after-tax adjustment of \$347 million that was recorded as an increase of shareholders' equity through accumulated other comprehensive income in fiscal 2004.

The Company's total accumulated pension benefit obligations at September 30, 2004 and September 30, 2003 were \$3.5 billion and \$3.5 billion, respectively, of which 95.2% and 98.6%, respectively, were vested.

The accumulated postretirement medical benefit obligations and fair value of plan assets for postretirement medical plans with accumulated postretirement medical benefit obligations in excess of plan assets were \$954 million and \$215 million, respectively, for 2004 and \$1,035 million and \$197 million, respectively, for 2003.

PLAN ASSETS

The assets of the Company's defined benefit plans are managed on a commingled basis in a third party Master Trust. The investment policy and allocation of the assets in the Master Trust were approved by the Company's Investment and Administrative Committee, which has oversight responsibility for the Company's retirement plans. The investment policy ranges for each major asset class are as follows:

	Minimum	Maximum
Equity Securities	40%	60%
Debt Securities	25%	35%
Alternative Investments	10%	30%
Cash	0%	5%

Alternative investments include venture capital funds, private equity funds, and real estate, among other things.

The Company's pension plan asset mix at June 30, 2004 and 2003 (the Plan measurement date), by asset class, is as follows:

Asset Category	2004	2003
Equity Securities	57%	53%
Debt Securities	27	25
Alternative Investments	15	21
Cash	1	1
Total	100%	100%

Equity securities include \$63 million (2% of total plan assets) and \$56 million (2% of total plan assets) of Company common stock at September 30, 2004 and September 30, 2003, respectively.

PLAN CONTRIBUTIONS

During fiscal 2004, the Company contributed \$155 million and \$18 million to its pension and postretirement plans, respectively. The Company expects to contribute \$148 million to its pension plans and \$17 million to its postretirement medical plans during fiscal 2005.

ESTIMATED FUTURE BENEFIT PAYMENTS

The following table presents estimated future benefit payments:

	Medical Plans
\$ 129	\$ 25
139	27
149	27
161	29
173	31
1,119	188
\$1,870	\$327
	139 149 161 173 1,119

MULTI-EMPLOYER PLANS

The Company participates in various multi-employer pension plans under union and industry-wide agreements. In 2004, 2003, and 2002, the contributions to these plans which are generally expensed as incurred were \$38 million, \$37 million, and \$41 million, respectively.

ASSUMPTIONS

Certain actuarial assumptions, such as the discount rate, long-term rate of return and the healthcare cost trend rate have a significant effect on the amounts reported for postretirement medical benefit and net periodic pension expense as well as the respective benefit obligation amounts.

Discount Rate – The assumed discount rate for pension plans represents the market rate for high-quality fixed income investments or a long-term high quality corporate bond rate. For 2004, we increased our rate to 6.30% to reflect market interest rate conditions.

Long-term return on assets – The assumed rate of return on plan assets represents an estimate of long-term returns on an investment portfolio consisting of a mixture of equities, fixed income, and alternative investments. When determining the expected return on plan assets, the Company considers long-term rates of return on the asset classes (both historical and forecasted) in which the Company expects the pension funds to be invested. The following rates of return by asset class were considered in setting the long-term return on assets assumption:

Equity Securities	9% - 10%
Debt Securities	5% - 7%
Alternative Investments	8% - 10%

Healthcare cost trend rate – The Company reviews external data and its own historical trends for healthcare costs to determine the healthcare cost trend rates for the postretirement medical benefit plans. For 2004, we assumed a 10.0% annual rate of increase in the per capita cost of covered healthcare claims with the rate decreasing in even increments over seven years until reaching 5.0%.

The effects of a one percentage point change in the key assumptions would have had the following effects increase/(decrease) in cost and/or obligation on the results for fiscal year 2004:

		Disco	Pension Plan	Expected Long-Term Rate of Return on Assets
Total Service and Interest Costs	Post- retirement Medical Obligations	Total Service and Interest Costs	Projected Benefit Obligations	Net Periodic Cost
\$(20) 27	\$(188) 245	\$ 31 (29)	\$ 620 (515)	\$ 29
	Cost 7 Total Service and Interest Costs \$(20)	Service Post- and retirement Interest Medical Costs Obligations \$(20) \$(188)	Cost Trend Rate Disco Total Total Service Post- Service and retirement and Interest Medical Interest Costs Obligations Costs \$(20) \$(188) \$ 31	Assumed Healthcare Cost Trend Rate Total Service and retirement Interest Medical Costs Costs Obligations \$(20)\$ \$(188)\$ \$31\$ \$620

DEFINED CONTRIBUTION PLANS

The Company has savings and investment plans that allow eligible employees to allocate up to 20% of salary through payroll deductions depending on the plan in which the employee participates. The Company matches 50% of the employee's pre-tax contributions, up to plan limits. In 2004, 2003 and 2002, the costs of these plans were \$33 million, \$32 million and \$29 million, respectively.

MEDICARE MODERNIZATION ACT

In May 2004, the FASB issued FASB Staff Position No. 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (FSP 106-2) in response to a new law regarding prescription drug benefits under Medicare as well as a federal subsidy to sponsors of retiree healthcare benefit plans. We expect that the impact of this act will not be material.

NOTE 9. SHAREHOLDERS' EQUITY

The Company declared an annual dividend of \$0.24 per share on December 1, 2004 related to fiscal 2004. The dividend is payable on January 6, 2005 to shareholders of record on December 10, 2004. The Company paid a \$430 million dividend (\$0.21 per share) during the first quarter of fiscal 2004 applicable to fiscal 2003 and paid a \$429 million dividend (\$0.21 per share) during the first quarter of fiscal 2003 applicable to fiscal 2002.

During the fourth quarter of fiscal 2004, the Company repurchased 14.9 million shares of Disney common stock for approximately \$335 million. As of September 30, 2004, the Company had authorization in place to repurchase approximately 315 million additional shares.

The par value of the Company's outstanding common stock totaled approximately \$21 million.

In December 1999, pursuant to the Company's repurchase program, the Company established the TWDC Stock Compensation Fund II to acquire shares of Company common stock for the purpose of funding certain future stock-based compensation. The fund expired on December 12, 2002. On that date, the 5.4 million shares of the Company's common stock still owned by the fund were transferred back to the Company and classified as treasury stock.

NOTE 10. STOCK INCENTIVE PLANS

Under various plans, the Company may grant stock options and other equity based awards to executive, management and creative personnel at exercise prices equal to or exceeding the market price at the date of grant. Effective in January 2003, options granted for common stock become exercisable ratably over a four-year period from the grant date while options granted prior to January 2003 generally vest ratably over a five-year period from the grant date. All options expire 10 years after the date of grant. At the discretion of the Compensation Committee, options can occasionally extend up to 15 years after date of grant. Shares available for future option grants at September 30, 2004 totaled 57 million.

The following table summarizes information about stock option transactions (shares in millions):

	20	2004		2003		002
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of						
year	219	\$26.44	216	\$27.48	188	\$29.54
Awards forfeited	(8)	24.40	(14)	44.41	(14)	33.64
Awards granted	27	24.61	30	17.34	50	21.99
Awards exercised	(11)	18.77	(3)	14.57	(2)	18.02
Awards expired	(6)	33.56	(10)	47.73	(6)	34.72
Outstanding at September 30	221	\$26.50	219	\$26.44	216	\$27.48
Exercisable at September 30	132	\$28.39	109	\$27.86	88	\$26.89

The following table summarizes information about stock options outstanding at September 30, 2004 (shares in millions):

		Outstanding		Exerci	isable
		Weighted Average			
		Remaining	Weighted		Weighted
		Years of	Average		Average
Range of	Number	Contractual	Exercise	Number	Exercise
Exercise Prices	of Options	Life	Price	of Options	Price
\$10 - \$ 14	1	5.6	\$ 14.59	1	\$ 14.34
\$15 - \$ 19	30	7.0	17.37	11	17.64
\$20 - \$ 24	94	6.4	22.55	44	21.65
\$25 - \$ 29	26	4.7	27.04	22	27.06
\$30 - \$ 34	53	5.7	31.50	39	31.72
\$35 - \$ 39	8	4.1	37.32	7	37.45
\$40 - \$ 44	7	6.1	41.25	6	41.36
\$45 - \$395	2	5.3	112.68	2	111.91
	221		4	132	

The weighted average fair values of options at their grant date during 2004, 2003 and 2002 were \$9.94, \$6.71 and \$8.02, respectively. The weighted average assumptions used in the Black-Scholes option-pricing model used to determine fair value were as follows:

	2004	2003	2002
Risk-free interest rate	3.5%	3.4%	4.8%
Expected years until exercise	6.0	6.0	6.0
Expected stock volatility	40%	40%	30%
Dividend yield	0.85%	1.21%	0.96%

During the years ended September 30, 2004, 2003 and 2002, the Company granted restricted stock units of 5.4 million, 2.9 million and 1.9 million, respectively, and recorded compensation expense of \$66 million, \$20 million and \$3 million, respectively. Units totaling 750,000 shares and 250,000 shares were awarded to four executives in 2002 and 2004, respectively, that vest upon the achievement of certain performance conditions. Otherwise, the units are not performance related and generally vest 50% two years from grant date and 50% four years from the grant date. Units are forfeited if the employee terminates prior to vesting.

NOTE 11. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

		2004		2003
Current receivables				
Accounts receivable	\$	4,403	\$	4,018
Income tax receivable		98		_
Other		205		389
Allowance for doubtful accounts	_	(148)		(169)
	\$	4,558	\$	4,238
Other current assets				
Prepaid expenses	\$	512	\$	484
Other	-	226		64
	\$	738	\$	548
Parks, resorts and other property, at cost				
Attractions, buildings and improvements	\$	12,348	\$	9,251
Leasehold improvements		493		599
Furniture, fixtures and equipment		9,403		7,507
Land improvements		2,924		2,142
		25,168		19,499
Accumulated depreciation		11,665)		(8,794)
Projects in progress		1,852		1,076
Land		1,127		897
	\$	16,482	\$	12,678
Intangible assets				
Copyrights	\$	324	\$	287
Other amortizable intangible assets	·	84	·	84
Accumulated amortization		(59)		(47)
Amortizable intangible assets		349		324
FCC licenses		1,489		1,486
Trademarks		944		944
Other indefinite-lived intangible assets		33		32
	\$	2,815	\$	2,786
Other non-current assets				
Receivables	\$	341	\$	382
Other prepaid expenses		29		86
Prepaid benefit costs		69		59
Other		601		663
	\$	1,040	\$	1,190
	*			
Accounts payable and other accrued liabilities	-			
Accounts payable and other accrued liabilities Accounts payable		4,531	\$	4,095
		4,531 1,009	\$	4,095 850
Accounts payable Payroll and employee benefits		,	\$	
Accounts payable		,	\$	850
Accounts payable Payroll and employee benefits Income tax payable		1,009		850 21
Accounts payable Payroll and employee benefits Income tax payable	\$	1,009		850 21 78
Accounts payable Payroll and employee benefits Income tax payable Other Other long-term liabilities	\$	1,009 83 5,623		850 21 78 5,044
Accounts payable Payroll and employee benefits Income tax payable Other Other long-term liabilities Deferred revenues	\$	1,009 	\$	850 21 78 5,044
Accounts payable Payroll and employee benefits Income tax payable Other Other long-term liabilities Deferred revenues Capital lease obligations	\$	1,009 83 5,623	\$	850 21 78 5,044
Accounts payable Payroll and employee benefits Income tax payable Other Other long-term liabilities Deferred revenues Capital lease obligations Program licenses and rights	\$	1,009 83 5,623 608 339	\$	850 21 78 5,044 540 344 236
Accounts payable Payroll and employee benefits Income tax payable Other Other long-term liabilities Deferred revenues Capital lease obligations Program licenses and rights Participation liabilities	\$	1,009 83 5,623 608 339 230 256	\$	850 21 78 5,044 540 344 236 230
Accounts payable Payroll and employee benefits Income tax payable Other Other long-term liabilities Deferred revenues Capital lease obligations Program licenses and rights	\$	1,009 83 5,623 608 339 230	\$	850 21 78 5,044 540 344 236

NOTE 12. FINANCIAL INSTRUMENTS

Interest Rate Risk Management The Company is exposed to the impact of interest rate changes primarily through its borrowing activities. The Company's objective is to mitigate the impact of interest rate changes on earnings and cash flows and on the market value of its investments and borrowings. In accordance with policy, the

Company maintains its fixed rate debt expressed as a percentage of its net debt between a minimum and maximum percentage.

The Company typically uses pay-floating and pay-fixed interest rate swaps to facilitate its interest rate risk management activities. Pay-floating swaps effectively convert fixed rate medium and long-term obligations to variable rate instruments indexed to LIBOR. Swap agreements in place at year-end expire in three to 19 years. Pay-fixed swaps effectively convert floating rate obligations to fixed rate instruments. The pay-fixed swaps in place at year-end expire in one to eight years. As of September 30, 2004 and 2003 respectively, the Company held \$148 million and \$711 million notional value of pay-fixed swaps that do not qualify as hedges. The changes in market values of all swaps that do not qualify as hedges have been included in earnings.

The impact of ineffective interest rate risk management activities was not significant for fiscal 2004, 2003 and 2002. The net amount of deferred gains and losses in AOCI from interest rate risk management transactions at September 30, 2004 was a gain of \$10 million while the balance at September 30, 2003 was immaterial.

Foreign Exchange Risk Management The Company transacts business globally and is subject to risks associated with changing foreign exchange rates. The Company's objective is to reduce earnings and cash flow fluctuations associated with foreign exchange rate changes thereby enabling management to focus attention on core business issues and challenges.

The Company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency assets, liabilities, firm commitments and forecasted but not firmly committed foreign currency transactions. The Company uses option strategies and forward contracts to hedge forecasted transactions. In accordance with policy, the Company hedges a minimum percentage (not to exceed a maximum percentage) of its forecasted foreign currency transactions for periods generally not to exceed five years. The Company uses forward contracts to hedge foreign currency assets, liabilities and firm commitments. The gains and losses on these contracts offset changes in the U.S. dollar equivalent value of the related forecasted transaction, asset, liability or firm commitment. The principal currencies hedged are the Euro, British pound, Japanese yen and Canadian dollar. Cross-currency swaps are used to effectively convert foreign currency-denominated borrowings to U.S. dollars.

Gains and losses on contracts hedging forecasted foreign currency transactions are initially recorded to AOCI, and reclassified to current earnings when such transactions are recognized, offsetting changes in the value of the foreign currency transactions. At September 30, 2004 and 2003, the Company had pre-tax deferred gains of \$45 million and \$23 million, respectively, and pre-tax deferred losses of \$147 million and \$203 million, respectively, related to foreign currency hedges on forecasted foreign currency transactions.

Deferred amounts to be recognized change with market conditions and will be substantially offset by changes in the value of the related hedged transactions. The Company expects to reclassify a pre-tax loss of \$88 million from AOCI to earnings over the next twelve months. The Company reclassified an after-tax loss of \$144 million and a \$62 million after-tax gain from AOCI to earnings during fiscal 2004 and 2003, respectively. These losses were offset by changes in the U.S. dollar equivalent value of the items being hedged.

At September 30, 2004 and 2003, changes in value related to cash flow hedges included in AOCI were a pre-tax loss of \$102 million and \$175 million, respectively. In addition, the Company reclassified deferred losses related to certain cash flow hedges from AOCI to earnings, due to the uncertainty of the timing of the original forecasted transaction. During fiscal 2004 and 2003, the Company recorded the change in fair market value related to fair value hedges and the ineffectiveness related to cash flow hedges to earnings. The amounts of hedge ineffectiveness on fair value and cash flow hedges were not material for fiscal 2004 and fiscal 2003. The impact of foreign exchange risk management activities on operating income in

2004 and in 2003 was a net loss of \$277 million and \$273 million, respectively. The impact of foreign exchanges risk management activities on operating income in 2002 was a gain of \$44 million.

Fair Value of Financial Instruments At September 30, 2004 and 2003, the Company's financial instruments included cash, cash equivalents, investments, receivables, accounts payable, borrowings and interest rate and foreign exchange risk management contracts.

At September 30, 2004 and 2003, the fair values of cash and cash equivalents, receivables and accounts payable approximated carrying values because of the short-term nature of these instruments. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on broker quotes or quoted market prices or interest rates for the same or similar instruments and the related carrying amounts are as follows:

	2004			2003				
		rrying mount		Fair Value		Carrying Amount		Fair Value
Investments	\$	60	\$	60	\$	17	\$	17
Borrowings	(1	3,488)	((13,811)	(13,100)	((13,692)
Risk management contracts:								
Foreign exchange forwards	\$	(54)	\$	(54)	\$	(131)	\$	(131)
Foreign exchange options		(26)		(26)		(22)		(22)
Interest rate swaps		66		66		173		173
Forward sale contracts						_		_
Cross-currency swaps		86		86		77		77

Credit Concentrations The Company continually monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments and does not anticipate nonperformance by the counterparties.

The Company would not realize a material loss as of September 30, 2004 in the event of nonperformance by any single counterparty. The Company enters into transactions only with financial institution counterparties that have a credit rating of A- or better. The Company's current policy regarding agreements with financial institution counterparties is generally to require collateral in the event credit ratings fall below A- or in the event aggregate exposures exceed limits as defined by contract. In addition, the Company limits the amount of investment credit exposure with any one institution. As of September 30, 2004, counterparties had pledged a total of \$37 million of cash collateral.

The Company's trade receivables and investments do not represent a significant concentration of credit risk at September 30, 2004 due to the wide variety of customers and markets into which the Company's products are sold, their dispersion across many geographic areas, and the diversification of the Company's portfolio among issuers.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The Company has various contractual commitments for the purchase of broadcast rights for sports, feature films and other programming, aggregating approximately \$9.6 billion, including approximately \$840 million for available programming as of September 30, 2004, and approximately \$6.5 billion related to sports programming rights, primarily NFL, NBA, College Football and MLB.

The Company has various real estate and equipment operating leases, including retail outlets and distribution centers for consumer products, broadcast equipment and office space for general and administrative purposes. Rental expense for the operating leases during 2004, 2003 and 2002, including common-area maintenance and contingent rentals, was \$518 million, \$528 million and \$511 million, respectively.

The Company also has contractual commitments under various creative talent and employment agreements including obligations to actors, producers, sports personnel, television and radio personalities and executives.

Contractual commitments for broadcast programming rights, future minimum lease payments under the non-cancelable operating leases, creative talent and other commitments totaled \$14.0 billion at September 30, 2004, payable as follows:

	Broadcast Programming	Operating Leases	Other	Total
2005	\$4,122	\$ 306	\$1,069	\$ 5,497
2006	2,455	275	483	3,213
2007	1,233	249	252	1,734
2008	991	207	141	1,339
2009	393	203	85	681
Thereafter	406	932	70	1,408
	\$9,600	\$2,172	\$2,100	\$13,872

The Company has certain non-cancelable capital leases primarily for land and broadcast equipment. Future payments under these leases as of September 30, 2004 are as follows:

2005	\$ 40
2006	41
2007	. 79
2008	38
2009	39
Thereafter	648
Total minimum obligations	885
Less amount representing interest	(530)
Present value of net minimum obligations	355
Current portion	16
Long-term portion	\$ 339

The Company has guaranteed certain special assessment and water/sewer revenue bond series issued by the Celebration Community Development District and the Enterprise Community Development District (collectively, the Districts). The bond proceeds were used by the Districts to finance the construction of infrastructure improvements and the water and sewer system in the mixed-use, residential community of Celebration, Florida. As of September 30, 2004, the remaining debt service obligation guaranteed by the Company was \$96 million, of which \$59 million was principal. The Company is responsible to satisfy any shortfalls in debt service payments, debt service and maintenance reserve funds, and to ensure compliance with specified rate covenants. To the extent that the Company has to fund payments under its guarantees, the districts have an obligation to reimburse the Company from District revenues.

The Company has also guaranteed certain bond issuances by the Anaheim Public Authority that were used by the City of Anaheim to finance construction of infrastructure and a public parking facility adjacent to the Disneyland Resort. Revenues from sales, occupancy and property taxes from the Disneyland Resort and non-Disney hotels are used by the City of Anaheim to repay the bonds. In the event of a debt service shortfall, the Company will be responsible to fund the shortfall. As of September 30, 2004, the remaining debt service obligation guaranteed by the Company was \$402 million, of which \$109 million was principal. To the extent that tax revenues exceed the debt service payments in subsequent periods, the Company would be reimbursed for any previously funded shortfalls.

To date, tax revenues have exceeded the debt service payments for both the Celebration and Anaheim bonds.

The Company has guaranteed payment of certain facility and equipment leases on behalf of a third-party service provider that supplies the Company with broadcasting transmission, post production, studio and administrative services in the U.K. If the third-party service provider defaults on the leases, the Company would be responsible for the remaining obligation unless the Company finds another service provider to take over the leases. As of September 30, 2004, the remaining facility and equipment lease obligation was \$85 million. These leases expire in March 2014.

Stephen Slesinger, Inc. v. The Walt Disney Company. In this lawsuit, filed on February 27, 1991 in the Los Angeles County Superior Court, the plaintiff claims that a Company subsidiary defrauded it and breached a 1983 licensing agreement with respect to certain Winnie the Pooh properties, by failing to account for and pay royalties on revenues earned from the sale of Winnie the Pooh movies on videocassette and from the exploitation of Winnie the Pooh merchandising rights. The plaintiff seeks damages for the licensee's alleged breaches as well as confirmation of the plaintiff's interpretation of the licensing agreement with respect to future activities. The plaintiff also seeks the right to terminate the agreement on the basis of the alleged breaches. If each of the plaintiff's claims were to be confirmed in a final judgment, damages as argued by the plaintiff could total as much as several hundred million dollars and adversely impact the value to the Company of any future exploitation of the licensed rights. The Company disputes that the plaintiff is entitled to any damages or other relief of any kind, including termination of the licensing agreement. On April 24, 2003, the matter was removed to the United States District Court for the Central District of California, which, on May 19, 2003, dismissed certain claims and remanded the matter to the Los Angeles Superior Court. The Company appealed from the District Court's order to the Court of Appeals for the Ninth Circuit, but served notice that it was withdrawing its appeal in September 2004. On March 29, 2004, the Superior Court granted the Company's motion for terminating sanctions against the plaintiff for a host of discovery abuses, including the withholding, alteration, and theft of documents and other information, and, on April 5, 2004, dismissed plaintiff's case with prejudice. On May 6, 2004, the plaintiff moved to disqualify the judge who issued the March 29, 2004 decision, and on May 13, 2004, the plaintiff moved for a "new trial" on the issue of the terminating sanctions. On July 19, 2004, the plaintiff's motion to disqualify the judge who issued the March 29, 2004 decision was denied, and on August 2, 2004, the plaintiff filed with the state Court of Appeal a petition for a writ of mandate to challenge the denial, which was also denied. In September 2004, plaintiffs moved a second time to disqualify the trial judge. That motion is pending.

Milne and Disney Enterprises, Inc. v. Stephen Slesinger, Inc. On November 5, 2002, Clare Milne, the granddaughter of A. A. Milne, author of the Winnie the Pooh books, and the Company's subsidiary Disney Enterprises, Inc. filed a complaint against Stephen Slesinger, Inc. ("SSI") in the United States District Court for the Central District of California. On November 4, 2002, Ms. Milne served notices to SSI and the Company's subsidiary terminating A. A. Milne's prior grant of rights to Winnie the Pooh, effective November 5, 2004, and granted all of those rights to the Company's subsidiary. In their lawsuit, Ms. Milne and the Company's subsidiary seek a declaratory judgment, under United States copyright law, that Ms. Milne's termination notices were valid; that SSI's rights to Winnie the Pooh in the United States terminated effective November 5, 2004; that upon termination of SSI's rights in the United States, the 1983 licensing agreement that is the subject of the Stephen Slesinger, Inc. v. The Walt Disney Company lawsuit terminated by operation of law; and that, as of November 5, 2004, SSI was entitled to no further royalties for uses of Winnie the Pooh. In January 2003, SSI filed (a) an answer denying the material allegations of the complaint and (b) counterclaims seeking a declaration that (i) Ms. Milne's grant of

rights to Disney Enterprises, Inc. is void and unenforceable and (ii) Disney Enterprises, Inc. remains obligated to pay SSI royalties under the 1983 licensing agreement. SSI also filed a motion to dismiss the complaint or, in the alternative, for summary judgment. On May 8, 2003, the Court ruled that Milne's termination notices are invalid and dismissed SSI's counterclaims as moot. Following further motions, on August 1, 2003, SSI filed an amended answer and counterclaims and a third-party complaint against Harriet Hunt (heir to E. H. Shepard, illustrator of the original Winnie the Pooh stories), who had served a notice of termination and a grant of rights similar to Ms. Milne's. By order dated October 27, 2003, the Court certified an interlocutory appeal from its May 8 order to the Court of Appeals for the Ninth Circuit, but on January 15, 2004, the Court of Appeals denied the Company's and Milne's petition for an interlocutory appeal. By order dated August 3, 2004, the Court granted SSI leave to amend its answer to assert counterclaims against the Company allegedly arising from the Milne and Hunt terminations and the grant of rights to the Company's subsidiary for (a) unlawful and unfair business practices; and (b) breach of the 1983 licensing agreement. In October 2004, Milne, joined by the Company, moved to amend its complaint to dismiss its claim against SSI for the purpose of obtaining a final order of dismissal against it, so as to permit its appeal to the Court of Appeals to proceed, and the District Court granted that motion by order dated November 12, 2004.

Management believes that it is not currently possible to estimate the impact if any, that the ultimate resolution of these matters will have on the Company's results of operations, financial position or cash flows.

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various other legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect the Company to suffer any material liability by reason of such actions.

NOTE 14. RESTRUCTURING AND IMPAIRMENT CHARGES

On November 21, 2004, the Company sold substantially all of The Disney Store chain in North America under a long-term licensing arrangement to a wholly-owned subsidiary of The Children's Place ("TCP"). Pursuant to the terms of the sale, The Disney Store North America will retain its lease obligation and will become a wholly owned subsidiary of TCP. TCP will pay the Company a royalty on the physical retail store sales beginning on the second anniversary of the closing date of the sale.

During the year, the Company recorded \$64 million of restructuring and impairment charges related to The Disney Store. The bulk of the charge (\$50 million) was an impairment of the carrying value of the fixed assets related to the stores to be sold which was recorded in the third quarter based on the terms of the sale. Additional charges recorded during the year related to the closure of stores that would not be sold and to transaction costs related to the sale.

Additional charges for working capital and other adjustments will be expensed at the date of closing. Additional restructuring costs will also be recognized later in fiscal 2005. We expect that the total costs that will be recorded in fiscal 2005 will range from \$40 million to \$50 million.

The Company is currently considering options with respect to the stores in Europe, including a potential sale. The carrying value of the fixed and other long-term assets of the chain in Europe totaled \$36 million at September 30, 2004. Depending on the terms of a sale, an impairment of these assets is possible. The base rent lease obligations for the chain in Europe totaled \$206 million at September 30, 2004.

(unaudited, in millions, except per share data)	December 31	March 31	June 30	September 30
2004				
Revenues	\$8,549	\$7,189	\$7,471	\$7,543
Net income	688	537	604	516
Earnings per share:				
Diluted	\$ 0.33	\$ 0.26	\$ 0.29	\$ 0.25
Basic	0.34	0.26	0.29	0.25
Market price per share:				
High	\$23.76	\$28.41	\$26.65	\$25.50
Low	20.36	22.90	21.39	20.88
2003(1)				
Revenues	\$7,170	\$6,500	\$6,377	\$7,014
Income before the cumulative effect of accounting change	107	314	502	415
Earnings per share before the cumulative effect of accounting change:				
Diluted	\$ 0.05	\$ 0.15	\$ 0.24	\$ 0.20
Basic	0.05	0.15	0.25	0.20
Market price per share:				
High	\$20.24	\$18.74	\$21.55	\$23.80
Low	13.90	14.84	16.92	19.40

⁽¹⁾ Income and earnings per share before the cumulative effect of accounting change for fiscal 2003 does not reflect the after-tax charge for the adoption of EITF 00-21 of \$71 million (\$0.03 per share) in the first quarter of 2003. See Note 2 to the Consolidated Financial Statements.

(in millions, except per share data)	2004(1)	2003(2)	2002(3)	2001(4)	2000(5)
Statements of income					
Revenues	\$30,752	\$27,061	\$25,329	\$25,172	\$25,325
Segment operating income ⁽⁶⁾	4,488	3,174	2,822	4,005	4,112
Income before the cumulative effect of accounting change	2,345	1,338	1,236	120	920
Per common share					
Earnings before the cumulative effect of accounting change					
Diluted	\$ 1.12	\$ 0.65	\$ 0.60	\$ 0.11	\$ 0.57
Basic	1.14	0.65	0.61	0.11	0.58
Dividends	0.21	0.21	0.21	0.21	0.21
Balance sheets					
Total assets	\$53,902	\$49,988	\$50,045	\$43,810	\$45,027
Borrowings	13,488	13,100	14,130	9,769	9,461
Shareholders' equity	26,081	23,791	23,445	22,672	24,100
Statements of cash flows					
Cash provided (used) by:					
Operating activities	\$ 4,370	\$ 2,901	\$ 2,286	\$ 3,048	\$ 3,755
Investing activities	(1,484)	(1,034)	(3,176)	(2,015)	(1,091)
Financing activities	(2,701)	(1,523)	1,511	(1,257)	(2,236)
Other					
Shareholders at year end	1,001,000	1,026,000	995,000	909,000	882,000

(1) During fiscal 2004, the Company adopted FASB Interpretation No. 46R, Consolidation of Variable Interest Entities (FIN 46R) and as a result, consolidated the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004 and the income and cash flow statements beginning April 1, 2004, the beginning of the Company's fiscal third quarter. Under FIN 46R transition rules, Euro Disney and Hong Kong Disneyland's operating results continued to be accounted for on the equity method for the six month period ended March 31, 2004. In addition, the 2004 results include a benefit from the settlement of certain tax issues of \$120 million or \$0.06 per diluted share, and restructuring and impairment charges totaling \$64 million pre-tax or (\$0.02) per diluted share.

(2) The 2003 results include the write-off of an aircraft leveraged lease investment with United Airlines of \$114 million pre-tax and a benefit from the favorable settlement of certain state tax issues of \$56 million. See Notes 4 and 7 to the Consolidated Financial Statements. These items had a (\$0.04) and \$0.03 impact on diluted earnings per share, respectively. The amounts do not reflect the cumulative effect of adopting EITF 00-21 which was a charge of \$71 million or (\$0.03) per diluted share. See Note 2 to the Consolidated Financial Statements.

The 2002 results include a \$216 million pre-tax gain on the sale of investments and a \$34 million pre-tax gain on the sale of the Disney Stores in Japan. These items had a \$0.06 and \$0.01 impact on diluted earnings per share, respectively. See Notes 3 and 4 to the Consolidated Financial Statements. During fiscal 2002, the Company acquired Fox Family Worldwide, Inc. for \$5.2 billion. See Note 3 to the Consolidated Financial Statements. Effective at the beginning of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* and, accordingly, ceased amortization of goodwill and substantially all other intangible assets.

(a) The 2001 results include restructuring and impairment charges totaling \$1.5 billion pre-tax. The charges were primarily related to the closure of GO.com, investment write downs and a work force reduction. The diluted earnings per share impact of these charges was (\$0.52). The amounts do not reflect the cumulative effect of required accounting changes related to film and derivative accounting which were charges of \$228 million and \$50 million, respectively or (\$0.11) and (\$0.02) per diluted share, respectively.

(5) The 2000 results include pre-tax gains of \$243 million, \$93 million and \$153 million from the sale of Fairchild Publications, Eurosport and Ultraseek, respectively. The impact of income taxes substantially offset certain of the gains. The diluted earnings per share impacts of these items were \$0.00, \$0.02 and \$0.01, respectively. The results also include a \$92 million pre-tax restructuring and impairment charge. The diluted earnings per share impact of the charge was (\$0.01).

⁽⁶⁾Reconciliation of segment operating income to income before the cumulative effect of accounting change:

(in millions)	2004	2003	2002	2001	2000
Segment operating income	\$ 4,488	\$ 3,174	\$ 2,822	\$ 4,005	\$ 4,112
Corporate and unallocated shared expenses	(428)	(443)	(417)	(406)	(354)
Amortization of intangible assets	(12)	(18)	(21)	(767)	(1,233)
Gain on sale of business	-	16	34	22	489
Restructuring and impairment charges	(64)	(16)		(1,454)	(92)
Net interest expense	(617)	(793)	(453)	(417)	(497)
Equity in the income of investees	372	334	225	300	208
Income before income taxes, minority interests and the cumulative effect of accounting change	3,739	2,254	2,190	1,283	2,633
Income taxes	(1,197)	(789)	(853)	(1,059)	(1,606)
Minority interests	(197)	(127)	(101)	(104)	(107)
Income before the cumulative effect of accounting change	\$ 2,345	\$ 1,338	\$ 1,236	\$ 120	\$ 920

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATE-MENTS

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the Company's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent registered public accounting firm audits the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and provides an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Committee composed of four non-management Directors. The committee meets periodically with financial management, the internal auditors and the independent registered public accounting firm to review accounting, control, auditing and financial reporting matters.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of September 30, 2004. Our management's assessment of the effectiveness of our internal control over financial reporting as of September 30, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

STOCK EXCHANGES

Disney common stock is listed for trading on the New York and Pacific stock exchanges under the ticker symbol DIS. Certain debt securities of the Company are listed on the Luxemborg stock exchange.

REGISTRAR AND STOCK TRANSFER AGENT

The Walt Disney Company Shareholder Services 611 N. Brand Boulevard, Suite 6100 Glendale, California 91203 (818) 553-7200

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP, Los Angeles

OTHER INFORMATION

The Company has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2004 filed with the Securities and Exchange Commission certificates of the Chief Executive Officer and Chief Financial Officer of the Company certifying the quality of the Company's public disclosure, and the Company has submitted to the New York Stock Exchange a certificate of the Chief Executive Officer of the Company certifying that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

A copy of the Company's annual report filed with the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any shareholder upon written request to the address listed above.

Please visit The Walt Disney Company Investor Relations site at **www.disney.com/investors**. On this site you can order financial documents online, send e-mail inquiries, get instructions on how to transfer shares and review additional information about the Company.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of The Walt Disney Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity, and cash flows preent fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries (the Company) at September 30, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2004, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of September 30, 2004 based on criteria established in Internal Control -Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2004, based on criteria established in Internal Control -Integrated Framework issued by the COSO. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on (i) these financial statements; (ii) management's assessment; and (iii) the effectiveness of the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As discussed in Note 2 to the Consolidated Financial Statements, the Company adopted FASB Interpretation 46R, *Consolidation of Variable Interest Entities* and, accordingly, began consolidating Euro Disney and Hong Kong Disneyland as of March 31, 2004. Additionally, the Company adopted EITF No. 00-21, *Revenue Arrangements with Multiple Deliverables* as of October 1, 2002, changing the timing of revenue from certain contracts.

Los Angeles, California December 9, 2004

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BOARD OF DIRECTORS

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Effective January 2005

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Senior Executive Vice President and
Chief Strategic Officer

Thomas O. Staggs

Senior Executive Vice President and Chief Financial Officer

Alan N. Braverman
Senior Executive Vice President and General Counsel

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Chairman, The Walt Disney Studios

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David J. Stainton
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Walt Disney Parks and Resorts

James A. Rasulo
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Martin A. Sklar Vice Chairman and Principal Creative Executive, Walt Disney Imagineering

Allen R. Weiss
President, Walt Disney World Resort

Matthew A. Ouimet
President, Disneyland Resort

Media Networks

Anne M. Sweeney
Co-chairman, Media Networks and
President, Disney • ABC Television Group

George Bodenheimer Co-chairman, Media Networks and President, ESPN, Inc. and ABC Sports

Alex Wallau President, ABC Network Operations and Administration

Walter C. Liss, Jr.
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John Hare President, ABC Radio Disney Consumer Products

Andrew P. Mooney Chairman, Disney Consumer Products Worldwide

Walt Disney International

Andy Bird
President, Walt Disney International

Walt Disney Internet Group

Stephen H. Wadsworth
President, Walt Disney Internet Group



